The French Ambassador called to see me this morning at his request.

The Ambassador commenced the conversation by complaining again, this time in extremely bitter tones, of the ever-increasing misrepresentation of his Government that was appearing in the American press and the totally false and mendacious statements which were emanating from the British radio and news services tending to show that the French Government was under the complete control of Germany and was acting as a puppet for the German Government.

French denial of presence of German officers in France.

The Ambassador then read to me three cables. The
first cable flatly denied that there were either German soldiers or German officers at Dakar and that our own consular representative in Dakar could confirm this information. The Ambassador said that the only German officers who had ever been in Dakar since the Armistice were the members of the German mission which had gone there under the terms of the armistice agreement to verify the munitions that existed there.

Alleged demands by Italy on France for submarine and air bases and demobilisation of troops

The second cable the Ambassador read to me was from his Government stating that the reports alleging that Italy had made demands on France for the installation of air bases in Syria, submarine bases in North African French possessions, and the complete demobilisation of all French forces in Syria were totally false. The French Foreign Minister by means of this cable informed the French Ambassador to inform this Government that no demands of any character with regard to Syria or other French African possessions had ever been formulated by Italy.

Alleged intention of French Government to fortify Martinique

With regard to the third cable, the Ambassador stated that reports sent by the United Press Correspondent
free Vichy alleging that the French Government intended to undertake large military and naval fortifications in Martinique were totally unfounded. The Ambassador said that the report was probably due to the fact that the correspondent had read the budget for the year 1941, which had included the provisions insisted upon by M. Kandel when he was Minister for Colonies and which budget had been approved by the French Chambers before the armistice, providing for the undertaking of military and naval fortifications in Martinique as well as in many other French colonies. The Ambassador said that this budget, of course, was now a matter of past history and the present French Government could not attempt to carry out any of the provisions thereof. The Ambassador was instructed to state that the French Government had no intention of undertaking any military or naval fortifications in Martinique and that the only work to be undertaken there was the dredging of the harbor at Fort de France and the improvement of certain of the docks for commercial purposes. The Ambassador specifically stated that the submarine base which had been planned for Martinique had been completely abandoned. In brief, the French Government desired this Government to know that under no conditions would they agree to any of their possessions in the Western Hemisphere becoming,
directly or indirectly, the source of disquiet or of danger to the United States.

Neutralisation of French colonies in the Western Hemisphere

The Ambassador then referred to his conversation with the President of the other day and the suggestion made by the President that the French Government declare publicly that its possessions in the Western Hemisphere would be neutralized. The Ambassador said that he had this morning received a reply from his Government with respect to the suggestion made by the President and that in this reply the French Government declared that it desired to cooperate in every way with the United States so that the United States could assure itself that French possessions in the New World could in no event become a source of danger to the security of the United States.

The French Government, consequently, made the following proposals:

1. The French Government would agree that United States official observers might be stationed in French Guiana, Guadeloupe, and St. Pierre-Miquelon, and that all facilities would be given these United States observers by the local French authorities to find out exactly what was going on and to assure themselves that no steps were
in progress which could result in endangering the security of the United States.

2. The French Government would instruct Admiral Robert, the French commander at Martinique with full authority over all of the other French colonies of the Western Hemisphere, to undertake with an American high ranking officer to be sent to Martinique for that purpose, the study and determination of such military steps as might in the judgment of the United States be required to avoid any disquiet on the part of the United States Government. The Ambassador stated that owing to the present situation of France anything in the nature of a written contract or treaty would have to be avoided but that such oral arrangements as might be arrived at with Admiral Robert would be meticulously complied with.

3. The French Government was appointing General Bonnavita as Military Attaché in Washington, and should the American Government so desire, the General would be instructed to leave immediately for the United States to cooperate in the coordination of such measures as might be agreed upon by Admiral Robert and the American officer to be sent to negotiate with Admiral Robert.

4. The French Government believed that in all of
the French colonies in the Western Hemisphere there was now a minimum of military forces stationed. In the opinion of the French Government, complete neutralization in the sense that the existing minimum military forces would either have to be sent away or be demobilized would be likely to stir up revolution among any of the colonies, or at least social disorder, since the implication would be understood by the native populations as being an invitation to license through the removal of all symbols of authority.

5. While the French Government would not discard the possibility of the issuance of an official statement by France with regard to the neutralization of the French colonies in the Americas, it desired to know before reaching a final decision whether, if the measures above set forth were undertaken, the President still believed that such a statement would be necessary.

I stated to the Ambassador that I would be glad to submit to the President the reply of the French Government as delivered to me and that at first glance it seemed to me that some of the steps suggested, if faithfully carried out, would undoubtedly remove some of the grounds for disquiet which this Government had possessed. I said that I was glad to note the friendly and coopera-
ative reaction evidenced by the French Government to the suggestion made by the President.

**Purchase of Munitions, etc., in the United States For French Indo-China**

The Ambassador then said that he had received a further telegram from his Government on another matter which had occasioned him surprise. He said this message was to the effect that the German Government had given permission to the French Government to purchase munitions in the United States for the use of the authorities in Indo-China and that he had, consequently, been instructed by his Foreign Minister to take up the negotiations recently conducted by Colonel Jacomy on behalf of the Indo-China Government and to ascertain whether the munitions for the French authorities in Indo-China could now be obtained in the United States. The Ambassador said that upon receipt of this message he had sent a telegram to his Government inquiring whether this implied that the German Government would permit the shipment of the planes now in Martinique to Indo-China. He said that he had not received any reply to this inquiry as yet. The Ambassador thereupon inquired whether this Government would be prepared to facilitate the purchase by the French authorities in the United States of muni-
tions for Indo-China.

I said to the Ambassador that it must be as evident to him as it was to me that the situation had changed completely since the time some weeks ago when Colonel Jaccay had been informed that this Government would permit the sale of such munitions as might be available to the Government of French Indo-China. I said that since that time the Japanese forces had occupied many points in Indo-China and it would be the obvious thing for this Government to want to know what practical assurances could be given that the munitions that might be bought here, or the planes that might be sent from Martinique, would not fall into the hands of the Japanese authorities in Indo-China rather than into the hands of the French authorities. I said, furthermore, that in as much as all evidence of French resistance to the Japanese occupation had ceased, what reason could now be evidenced by the French Government that the dispatch of the munitions or aviation material was of any practical or urgent need.

The Ambassador replied that Indo-China would not only resist further aggression on the part of Japan, but would also probably soon be forced to resist aggression on the part of Siam.
I said that I was sure that the Ambassador must possess the feeling that any action taken by Siam under present conditions must be action taken at least with the tacit acquiescence of Japan. I asked, consequently, whether the Ambassador could for a moment believe that Japan would permit the French Government in Indo-China to acquire munitions at this moment which might be utilized either in resisting Japan or in resisting Siam. I also asked what explanation the Ambassador could give me as to why the German Government should accord permission for the purchase of these munitions at this particular moment when the French Government had been either unable or unwilling to obtain the acquiescence of the German Government six weeks ago to sending perfectly new and powerful airplanes to China before the actual occupation by Japan had begun. To all of these inquiries the Ambassador had no ready reply, and merely stated that he would give me further information as to the situation in Indo-China as a result of an inquiry which he would address to Admiral Decour, the Governor General.

Airplanes in Martinique

In speaking again of the airplanes in Martinique, the Ambassador said that he was informed that these airplanes had now deteriorated to such an extent that they
I replied that while the President had spoken of the British relationship with the United States in the course of the conversation on the subject of trade and commerce between Britain and France, the American government had not been informed of the conversation between the President and the President of France.
For the purchase by the French Government of supplies for the use of this Government, the German Government was obligated to undertake the proper release and care of the prisoners of war at the request of France and in accordance with various international agreements, as well as the German Government's established principles in that regard. I was informed by the Ambassador of the intention of the French Government to release the prisoners as soon as possible, and that I would have to inform the Secretary of the Treasury in that regard. I was also informed by the Secretary of the Treasury that I had spoken to the President.

I said to the Secretary of the Treasury that I had spoken already concerning the question of release with the President, and that I was afraid the President and I had spoken already concerning the question of release. The President, however, stated that he had spoken already concerning the question. I hope you will work out the situation to the President and that he will work out the situation with you.}

Regraded Unclassified
quantities of beef to be used in the feeding of prisoners of war, thus relieving the German Government of its valid obligations in this regard and making it easier for the German Government to feed its own troops and its own civilian population. I said that with regard to the facilitation of funds for the payment of diplomatic and consular establishments of France in the Western Hemisphere, I could at this time give him no definite reply. I said that all I could add in this regard was that questions of this character could undoubtedly be more readily solved if the French Government showed a more friendly and cooperative spirit in its dealings with the United States and that I trusted that the reply made by France as communicated to me this morning by the French Ambassador with regard to French colonies in the Americas would seem to the high officials of this Government as an indication of such desire on the part of the Vichy Government to cooperate to our mutual advantage.

The Ambassador then launched into a very long and exceedingly vehement tirade. He stated that the refusal of this Government at this juncture to release funds for the payment of French diplomatic and consular missions in the American continent was tantamount to a desire on the part of the United States to liquidate such establish-
ments and as proof that this Government did not regard the Vichy Government as a sovereign government. He said that our refusal to permit French funds in the United States to be used for the purchase of food supplies to relieve the situation of French prisoners of war was a proof that this Government had no humanitarian interest in the fate of those unfortunate individuals and that our action in this regard would be equivalent to a sentence of death for them.

I said to the Ambassador that with regard to the first point, it seemed to be preferable that it be not discussed, that it seemed to me that it was for many reasons inadvisable to discuss the nature of the independence and sovereignty of the present French Government and that I believed that on full reflection he would agree with me that no useful purpose could be served thereby. With regard to the second point, I said that I could assure him, as I had in a previous conversation, that while the American people possessed to a full degree their traditional friendship for the French people and were animated as they had been throughout their history by a humanitarian desire to relieve distress and suffering of peoples in other parts of the world, it was the considered policy of this Government that no step should be taken which would in any sense facilitate or aid the
Government of Germany in its prosecution of the present war.

I said that it was well known to me that Germany had been exporting from occupied France many thousands of head of cattle for her own use and that if we agreed to permit France to send into the occupied zone very large quantities of beef, this would obviously only make it easier for Germany to pursue this course. The Ambassador immediately contradicted me and said that Wayne Taylor had told him that while the Germans had commandeered cattle in the occupied zone, these cattle were being utilized for feeding German troops in that area.

I replied that while I would not agree in any way that my information was incorrect, I could not see the slightest difference in the two cases presented. Here was the Ambassador demanding that the French Government be permitted to send beef into the occupied zone to feed the French prisoners of war, and yet at the same time admitting through him that the cattle in that region which might be used for this purpose were being utilized for the feeding of German troops of occupation. I said that what the Ambassador had just stated confirmed me positively in my belief that the step which was proposed was merely a means of relieving Germany of her inescapable
obligation to feed properly and give humanitarian treatment to the French prisoners of war under her control without assistance from the outside world.

The Ambassador then said that this made a "very grave situation".

I said that if he referred to the relations between the two countries, as I assumed he did, and had made this remark on the pretext that this Government was not giving friendly consideration to all the requests of the French Government, I might remind him that public opinion in the United States and the opinion of this Administration had been profoundly affected in a manner adverse to the present French Government by three things: first, the determination of the French Government with regard to the disposition of the French fleet as included in the terms of the armistice; second, the refusal of the French Government to return the airplanes in Martinique to the United States on the allegation that the terms of the Armistice made it necessary for all French munitions in French territory to remain where they were at the time of the signing of the armistice, when only a few weeks ago the American public had been informed that French airplanes in large numbers had left French possessions in Northern Africa in order to undertake the bombardment of Gibraltar; and third, the negotiation by
At this point, the Ambassador suggested a statement which would be well received by American public opinion, or which would tend to bring closer together the positions of the Government of the United States and the Government of Japan. He was sure that the Ambassador had been authorized to make this statement, and that it would make the situation in the Far East easier for the United States. The proposal made by His Excellency in an interview with the Foreign Minister in the United States was a matter of particular concern to the French Government, although it was unlikely provided for a change in the situation as it is the policy of the Allied and in the Far East it was a matter of particular concern to the Allied and in the Far East.
was not accurate, I would be glad to be informed accordingly.

In conclusion, I said to the Ambassador that as soon as the President returned to Washington I would submit to him the reply of the French Government with regard to French colonies in the Western Hemisphere and that I would again discuss with him the question of the release of funds sufficient to meet the expenses of the French diplomatic and consular establishments in the American Republics. For that reason, I said, I would prefer to withhold any further discussion on these problems until this conversation had taken place, and I said that I would ask the Ambassador to come to see me as soon thereafter as might be possible.

Finally, I said that I trusted, in view of the cooperative spirit shown by the French Government in its latest communication to us, that the way might yet be found for a more friendly and understanding feeling between the two Governments than had seemed, at least on our part, possible because of the recent policies pursued by the Government of Marshal Pétain.
October 8, 1940

My dear Mr. Secretary:

Reference is made to conversations between representatives of the Treasury and of this Department in connection with the question of the blocking of the personal bank accounts maintained in the United States by officers and employees of the Foreign Service serving in those countries which come within the scope of the Executive Order no. 8389 of April 10, 1940, as amended.

I wish to take this occasion to say that the Department is extremely grateful to the Treasury, and in particular to Mr. Pehle, for the prompt and efficient response given to requests for the unblocking of the bank accounts of certain Foreign Service officers. In a number of individual cases the officer has informed the Department that his account in a given bank has been blocked, and when the matter has been brought to the attention of the Treasury immediate steps have been taken.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.
taken to release the funds in question.

Representatives of the Treasury and of this Department have agreed that for a number of reasons it would be inadvisable to arrange for the blanket unblocking of the personal bank accounts in the United States of all officers and American employees serving in the countries in question. This Department still considers that a system of blanket unblocking would be unwise and it has no wish to request the Treasury to give consideration to the adoption of such an arrangement. However, in view of the number of individual cases that have recently arisen and of the likelihood that there will be many more within the next few months, the Department ventures to submit to the Treasury for its consideration the following suggestion. A circular telegram would be addressed by the Department to officers serving in those countries which come within the scope of the aforementioned Executive Order to inform them that the Department would be willing to present to the Treasury their requests for the unblocking of their personal bank accounts in the United States. A draft of the proposed telegram is attached hereto.

It
It is believed that the arrangements contemplated in the telegram would not be in conflict with the views heretofore shared by both Departments as to the inadvisability of a blanket unblocking. It is also believed that the proposed arrangements would serve several useful purposes. For one thing, it has become apparent that a number of officers and employees are unaware of the fact that their bank accounts have been blocked or are ignorant of the means whereby the funds can be released. For another thing, it is believed that it would be in the interest both of the Treasury and of this Department if the names of all the officers and employees concerned, together with the names and addresses of their banks, could be presented to the Treasury in definitive lists at stated intervals rather than as piecemeal cases from day to day.

The Department will greatly appreciate receiving the Treasury's frank advice as to the proposed arrangements and, if they are acceptable in principle, will be glad to modify them in accordance with any suggestions offered.

Sincerely yours,

/s/ Cordell Hull

Enclosure:

Copy of proposed telegram.
PROPOSED CIRCULAR TELEGRAM

To All Diplomatic and Consular officers in Belgium, Denmark, France, Luxemburg, Netherlands, Norway, and to Consular officers at Leopoldville, Algiers, Saigon, Tahiti, Tunis, Cayenne, Martinique, St. Pierre-Miquelon, Dakar, Batavia, Curacao, Medan, and Surabaya.

1. The Treasury Department has indicated its willingness to cause at the request of this Department the immediate unblocking of any personal bank account maintained in the United States by a Chief of Mission, Foreign Service Officer, or American employee of the State Department now serving in a country that comes within the scope of the Executive Order no. 8389 of April 10, 1940, as amended, which imposes licensing requirements on transfers of funds.

2. The Department will be glad to present to the Treasury the requests of any of its personnel who wish their accounts unblocked. It is suggested that the requests of all persons at a given office be combined in one despatch or telegram. If the latter, the cost of the telegram must be borne by the interested parties. The request should state the name of the officer or employee and the name and address of the bank where the account is maintained.

3. The officers and employees concerned will realise
that only personal accounts can be unblocked and then only for the payment of personal obligations or the settlement of personal affairs. It would be a violation of the Executive Order no. 8389, a cause of acute embarrassment to the Department, and a serious dereliction of duty for an officer or employee to use his personal bank account in the United States to facilitate the transfer or release or remittance of funds for other persons, whether American citizens or aliens.

4. Officers and employees of other Departments who desire similar arrangements made in their behalf should consult the Departments concerned.
My dear Mr. Secretary:

Reference is made to conversations between representatives of the Treasury and of this Department in connection with the question of the blocking of the personal bank accounts maintained in the United States by officers and employees of the Foreign Service serving in those countries which come within the scope of the Executive Order no. 8389 of April 10, 1940, as amended.

I wish to take this occasion to say that the Department is extremely grateful to the Treasury, and in particular to Mr. Pehle, for the prompt and efficient response given to requests for the unblocking of the bank accounts of certain Foreign Service officers. In a number of individual cases the officer has informed the Department that his account in a given bank has been blocked, and when the matter has been brought to the attention of the Treasury immediate steps have been taken.

The Honorable

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The Department will greatly appreciate receiving the Treasury's frank advice as to the proposed arrangements and, if they are acceptable in principle, will be glad to modify them in accordance with any suggestions offered.

Sincerely yours,

/s/ Cordell Hull

Enclosure:

Copy of proposed telegram.
2. The department shall send the requested information to the Treasury within the time limit set by the Treasury Secretary. The information shall include:

- The name, address, and Social Security number of the person to whom the information is requested.
- A description of the basis or nature of the request.
- Any other information considered necessary by the Treasury Department.

The request shall be handled in accordance with the Freedom of Information Act. If the request is denied, the Treasury shall notify the requester in writing of the denial and the reasons for the denial.

The department shall also send the requested information to the Treasury Department for inclusion in the annual report required by law. The report shall include:

- A summary of the number of requests received and the number granted.
- A description of any denials and the reasons for the denials.
- Any other information considered necessary by the Treasury Department.

The report shall be submitted to the Treasury Department by the end of the fiscal year.
that only personal accounts can be unblocked and then only for the payment of personal obligations or the settlement of personal affairs. It would be a violation of the Executive Order no. 8389, a cause of acute embarrassment to the Department, and a serious dereliction of duty for an officer or employee to use his personal bank account in the United States to facilitate the transfer or release or remittance of funds for other persons, whether American citizens or aliens.

4. Officers and employees of other Departments who desire similar arrangements made in their behalf should consult the Departments concerned.
Mr. Zoltowski, Financial Counselor of Poland, called on me at 1 o'clock today. He had one individual case, which had been the subject of previous correspondence, and for a discussion of which I took him to the Foreign Funds Control, where he was received by Mr. Wechsler.

In his conversation with me Zoltowski referred to a previous talk in which he has told me that he understood that the $65,000,000 of gold, constituting the Polish Central Bank reserve, which had been in France for safekeeping, had been taken to Dakar when France was invaded. He referred to the French offer to make an equivalent amount of gold available to Poland in Canada, and to the Polish response, in accepting this offer, that France assist in arranging that such gold be free from blocking in Canada. Zoltowski stated that nothing further on these negotiations developed until recently when the Vichy Government informed the Polish Government in London that under a French decree dated August 2 the holdings in French territory of countries which had been invaded by Germany were blocked. Thus the gold belonging to the bank of Poland and situated in French West Africa was blocked, since Poland had been invaded. The note which conveyed this information sought to terminate further discussion of the subject.

Zoltowski is naturally much upset over this action of France, since the gold constituting the reserve stock of the Polish Central Bank was the one source from which the Polish officials still functioning outside of Poland hoped to be paid. Furthermore these desired that as much as possible of this sum be conserved, looking forward to a restoration of Poland. Zoltowski preferred not to give me a written summary of his file of correspondence on this case. He would be agreeable, however, to come in to Washington at any time to show us this correspondence and to discuss it with us. Just now he is studying the possibility of some action that might be taken against France in this country. While he did not mention it, I believe that he had an attachment of French assets in mind.

It will be noted that cablegram No. 17 of October 6 from the American Consul at Dakar referred to Polish gold in his district which, he understood, the Government officials of Dakar considered as "belonging to France because of advances made to Poland were many times greater than the value of gold holdings of Poland". Zoltowski said nothing to me about the French claiming this Polish gold in Dakar as a set-off against sums owed by Poland to France on earlier loans. Zoltowski simply considered the gold "frozen".

In cablegram No. 19, dated October 8, the Consul at Dakar reports further that Director Michalaki of the Bank of Poland (who, according to an earlier conversation with which I had with Zoltowski, had been placed in charge of the Polish gold in France,) had introduced himself to our Consul and had stated that Poland owes 56,920 kilos of the gold which is now in French West Africa.
Mr. McKeon of the Federal Reserve Bank of New York gave us the following information regarding the transfers listed below from Italian accounts maintained with the Chase National Bank and the National City Bank.

### National City Bank

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Debited</th>
<th>Account Debited</th>
<th>Paid To</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2</td>
<td>$40,000</td>
<td>Bank of Napoli Trust Company, New York</td>
<td>Swiss Bank Corp., New York</td>
</tr>
<tr>
<td>October 2</td>
<td>35,000</td>
<td>Credito Italiano, New York</td>
<td>Payment of acceptance drawn by Guido Ajmore Marsen</td>
</tr>
</tbody>
</table>

### Chase National Bank

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Debited</th>
<th>Account Debited</th>
<th>Paid To</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 7</td>
<td>$352,000</td>
<td>Banca Commerciale Italiano, New York</td>
<td>Check drawn to the order of Monsignor Thomas McDonnell for deposit with the Central Hanover Bank &amp; Trust Co. for the account of the Society for the Propagation of the Faith</td>
</tr>
</tbody>
</table>
Mr. McKeon of the Federal Reserve Bank of New York gave us the following information regarding transactions in the account of the State Bank of the U.S.S.R. maintained with the Chase National Bank.

Principal changes in the account during the period October 3 to October 9, inclusive, were as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Credited</th>
<th>Received From</th>
<th>Amount Debited</th>
<th>Paid To</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 3</td>
<td>$ 50,000</td>
<td>Chase National Bank, Garfield Branch, by order of Rasno Export Co.</td>
<td>$700,000</td>
<td>Reichsbank, Berlin</td>
</tr>
<tr>
<td>October 4</td>
<td></td>
<td></td>
<td>57,000</td>
<td>Commercial Letter of Credit Account</td>
</tr>
<tr>
<td>October 5</td>
<td></td>
<td>Commercial Letter of Credit Account</td>
<td>121,000</td>
<td>Reichsbank, Berlin</td>
</tr>
<tr>
<td>October 7</td>
<td>143,000</td>
<td>Bank of Sweden, Stockholm</td>
<td>361,000</td>
<td>Amtorg Trading Co.</td>
</tr>
<tr>
<td>October 8</td>
<td>117,000</td>
<td>Narodni Banksa, Praga</td>
<td></td>
<td>Reichsbank, Berlin</td>
</tr>
<tr>
<td>October 8</td>
<td>310,000</td>
<td>National Bank of Switzerland, Zurich</td>
<td>500,000</td>
<td>Chase National Bank in payment of Exchange Contract on London</td>
</tr>
<tr>
<td>October 9</td>
<td>60,000</td>
<td>Received from the Irving Trust Co. by order of the Bank of Canton, Hong Kong</td>
<td>60,000</td>
<td>Reichsbank, Berlin</td>
</tr>
<tr>
<td>October 9</td>
<td>2,765,000</td>
<td>U. S. Mint, San Francisco, advance payment against gold shipment</td>
<td>55,000</td>
<td>Commercial Letter of Credit Account</td>
</tr>
<tr>
<td>October 9</td>
<td>173,000</td>
<td>Jordbrukbanken, Stockholm</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE October 9, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

Mr. McKeon of the Federal Reserve Bank of New York gave us the following
information regarding the transfer listed below from the account of the Reichsbank,
Berlin, maintained with the Chase National Bank.

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount Debited</th>
<th>Paid To</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 7</td>
<td>$400,000</td>
<td>A/B Svenska Handelsbanken, Stockholm for account of Allgemeine Warren Finanzierung Gesellschaft</td>
</tr>
</tbody>
</table>

Regraded Unclassified
In accordance with the request contained in Mr. Thompson's memorandum of December 26, 1939, there is attached a summary report of studies or projects carried on in the Office of the General Counsel for the month of September, 1940.
To the tax on employees of eight or more persons, for payment of
Regulation 107, Regulation 107

2. Income Tax - Proposed non-recognition of gain in the case of

necessary to the ultimate enactment of the Regulations which will be
made with respect to amendments of the Regulations in respect of an enactment.

is now pending in conference with the prospects of an enactment.

passed the Senate with numerous amendments on September 19.

Second Revenue Act of 1940, passed the House on August 79.

Chief Counsel for the Bureau of Internal Revenue

The following matters required attention in the office of the

SECRETARY 1940

THE OFFICE OF THE GENERAL COUNSEL

SUMMARY REPORT ON STUDIES OR PROJECTS IN

Page 85
this office on August 27, were signed by the Commissioner on
August 29, and approved by the Acting Secretary on September
12, 1940.

4. Income Tax – Taxation of Virgin Islands. Consideration is
being given to the suggestion that the Internal Revenue Code
be revised so as to subject to income taxation the inhabitants
of the Virgin Islands.

5. Social Security – Benefits and Tax Status of Men Serving in
Land and Naval Forces. In cooperation with representatives of the
Social Security Board, the Railroad Retirement Board, and the
Veterans Administration, and at the request of the Legislative
Counsel for the Treasury, study has been given to the question
of an appropriate statutory provision for a system of benefits
and social insurance for men serving in the land and naval forces
and their dependents. Senator Vandenburg proposed in the Senate
an amendment to H.R. 10413, the Second Revenue Act of 1940, de-
voted to this problem. The Vandenburg Amendment was first adopted
but was later displaced by a revision broad enough to render gen-
ereae in conference almost any system which might be developed in
the meantime. The internal revenue would be affected primarily
by reference to payments made by employers to employees or to their
dependents after induction of the former employee into the service.
So far as the Bureau is advised, the matter is still pending in
conference.

There is now under review the galley proof of the 1939 Supplement to the Code of Federal Regulations covering Chapter I of Title 26. All of the above matters were handled under the supervision of G. C. Adams, Head, Legislation and Regulations Division.

The following matters received attention under the general supervision of Assistant General Counsel Cairns:

7. Contingent Expenses. An opinion on this subject was prepared by Mrs. Haley and was signed on September 14, 1940. The opinion concludes that the Secretary may delegate to the Administrative Assistant to the Secretary authority to approve expenditures for contingent expenses of the Bureaus and offices of the Treasury Department in Washington, D. C., paid from the appropriation "Contingent Expenses, Treasury Department, 1941".

8. National Gallery of Art. An opinion prepared by Mr. Gilmore and signed on September 17, 1940, concludes that since the National Gallery of Art is a "bureau" of the Government, the Budget and Accounting Act requires estimates prepared by the Board of Trustees of expenditures and appropriations to be submitted to the Bureau of the Budget. The Budget, acting for the President, may revise such estimates in preparing the final budget.

9. "Temporary position" Within the Meaning of National Guard and Conscription Acts. The opinion on this question was prepared by
Mr. Wolf and was signed on September 23, 1940. The opinion
(1) sets forth a standard for determining the answer to the
question of what constitutes a "temporary position" as the term
is used in those Acts; and (2) advises that section 8(d) of the
Selective Training and Service Act of 1940 (Public, No. 783, 76th
Cong.) provides a complete answer to the question whether an
employee called for active military duty who is placed in a fur-
lough or leave-without-pay status has left his position within
the meaning of the Acts.

10. The President's Proclamation of June 27, 1940, promulgated
pursuant to section 1 of Title II of the Espionage Act of June 15,
1917 (U.S.C. title 50, sec. 191), has necessitated considerable
study regarding the extent that the regulation of anchorages and
movements of vessels has transferred functions from the War De-
partment and the Interstate Commerce Commission to the Treasury
Department. This study also includes the preparation of compre-
hensive new regulations under the cited Act supplementing those
issued by the Secretary of the Treasury, with the approval of the
President, on June 27, 1940. Mr. George E. McMurray, Coast Guard
Legal Section, and Mr. Ernest Feldler of the Opinions Section,
in cooperation with administrative officers of the Coast Guard,
are engaged upon this work.
11. The Selective Training and Service Act of 1940 (Public, No. 783, 76th Cong.), has raised certain problems for the Coast Guard, such as changes in rates of pay for enlisted men, whether the opportunity to volunteer for induction into the "land and naval" forces comprehends the Coast Guard, and so forth. These problems are being studied by Kenneth S. Harrison and James C. Morton, Jr., of the Coast Guard Legal Section.

12. Trade Agreement Question. A study was made by Mr. Dwan, Chief Counsel, Customs, of an important case recently decided by the Customs Court, C.D. 373. The case necessarily involved the important question whether the President, by his proclamation of the trade agreement, transferred an article from one paragraph of the tariff act to another. However, the court did not seem to see that problem, although the result of the case is particularly bad since it reduces the rate of duty by more than 50% in direct violation of an express provision of the Trade Agreements Act. Mr. Dwan and Mr. Agee, Assistant to the Chief Counsel, worked with the General Counsel of the Tariff Commission and a representative of the State Department on a memorandum discussing this question, and the memorandum was presented informally to the Assistant Attorney General's office by Mr. Agee. As a result, a petition for rehearing has been filed with the court, based to a considerable extent upon the memorandum mentioned above.
13. Schmoll v. Federal Reserve Bank of New York (in the Appellate Division of the Supreme Court of New York): This is an action to compel the respondent Bank to certify a different rate for the Brazilian milreis for certain dates than that previously certified pursuant to section 522 of the Tariff Act of 1930. In response to a letter from the attorneys for the Bank, Mr. Everett Smith of the Customs legal staff prepared a letter commenting upon the brief of the petitioner-appellant and suggesting certain arguments in favor of the respondent's position. A copy of the letter was sent to the United States District Attorney at New York for his use in preparing a brief as amicus curiae. The letter suggested two arguments for consideration in addition to those previously made: (1) that the action is in effect one against the United States or to which the United States is an indispensable party, and (2) that as state courts will not assist the United States to administer or enforce its tax laws, they should not assist a private litigant who claims to seek the proper administration of the revenue law.

The following matters received attention in the Legislative Section under the direction of Assistant General Counsel Bernard:

CONTINUATION OF PROJECTS

14. Bill Relative to the Harrison Narcotic Act; Bill to Relieve the Hospitals from Double Taxation (for
description see original report, Item 9). This bill, prepared by Miss McDuff, was returned from Budget with a request for a further expression of our views in the light of the comments of the Federal Security Administrator in opposition to the provision in the bill which would require registration by practitioners performing services in the employ of registered hospitals. In response to this request a letter has been prepared for the signature of the Administrative Assistant to the Secretary, together with a lengthy statement of arguments in support of this provision.

15. Fidelity Bond Bill (formerly identified as "Bond Survey") (for description see original report, Item 10). A draft of the proposed fidelity bond bill and letter of transmittal to Congress were sent to Budget on March 30, 1940. Because of the interest in this bill of about ten other agencies, the Bureau of the Budget has not yet been able to give it the usual clearance.

16. Compilation of Money Statutes (for description see original report, Item 11). Miss McDuff is continuing the work on this material.

17. Compilation in Annotated Form of Laws and Regulations Affecting Government Personnel (for description see original report, Item 13). The Legislative Section is continuing this project.

18. Codification of Federal Regulations (for description see
19. **Codification of Anti-counterfeiting and Related Laws** (for description see original report, Item 7.) Mr. Koken is continuing his work on this matter.

20. **Federal Depository System** (for description see original report, Item 6). Mr. Reeves is continuing his work on this bill. It now appears improbable that legislative consideration of the bill can be secured this session of Congress.

21. **Acting Administrators Bill** (for description see June report, Item 33). Miss McDuff is continuing her study of the necessity and feasibility of general legislation to provide for acting bureau or division chiefs in the absence of a chief.

22. **Testimony of Secretary Morgenthau Before Congressional Committees.** At the request of the Office of the Secretary, Miss McDuff is assembling and indexing the testimony of Secretary Morgenthau before various committees of Congress from 1934 to date. This material will be bound in volumes.

23. **Litigation: Barlow Award.** John F. Clark has brought suit in the District Court of the United States for the District of Columbia against Lester P. Barlow, the bomb inventor, claiming a half interest
in the sum appropriated by Congress to Barlow to reimburse him for using his bomb patents. The Secretary of the Treasury and the Treasurer of the United States have been joined as defendants for the purpose of restraining them from paying to Barlow the sum appropriated. Justice has been requested to take the necessary action to defend. Ellis and Hansen worked on the case at this end.

The following matters were worked on under the direction of Mr. Bernstein:

24. Foreign Exchange Control. An extensive amount of work has been done in connection with the administration of the freezing control, including the issuance of general licenses and general rulings, the answering of voluminous correspondence relating to the Order, the preparation of licenses covering diplomatic staffs and the examination of legal questions which are continually arising. The entire staff has been engaged in this work.

In cooperation with the Federal Reserve Bank of New York we are preparing a pamphlet to contain the Executive Order and Regulations and amendments thereto, general rulings and general licenses. Messrs. Friedman and Groman are preparing this.

In connection with the question of the status of Monaco under Executive Order No. 8339, this office prepared letters to the Department of State and discussed the matter informally with representatives of that Department. As a result of these conversations
person to operate such accounts and conduction to the authority of such
reserves with the Federal Reserve Bank of New York
from the effect of ensuring authentication of the name of the
person authorized to operate the accounts of the
27. Office is to cooperate with the Federal
government of Canada account. It is also understood that the work
was directly to the person who are authorized to operate the
bank of New York requested that the government of Canada and the
accompanying letter request a copy of a letter from the Federal Reserve
propose an account, a letter to the Department of State,
proposal. Messrs. Berns, Pritchard, and Deignan worked on this.
consultation with several government agencies concerning the situation
posed from the government of Canada. We also participated in the
recommendation of the government by the establishment plans of Canada
section, a study was made of the legal aspects of a proposal of
the execution order, Messrs. Berns, Pritchard, and Deignan worked on this.
there is no objection to our treating the matter as being covered by
and correspondence, the Department of State wrote to us and said

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28. **Canadian Silver Agreement.** A letter was prepared to the Federal Reserve Bank of New York indicating this Department's approval of an amendment of the existing arrangement for the purchase of silver from Canada, which amendment was suggested by the Bank of Canada. Under the amendment to the arrangement payment for the silver will be made into an account of the Canadian Government instead of an account of the Bank of Canada. Mr. Friedman handled the last two above-mentioned matters.

29. **Russian Inquiry.** This office assisted in the preparation of a memorandum of information which might be used by the State Department in replying to the request of the Russian Government that this Government give assurances that it will continue to purchase gold from Russia. Mr. Bernstein did this work.

30. **Questionnaire Sent out by Pan-American Union.** This office cooperated with Mr. Cairns' office in preparing replies to certain questions included in a questionnaire sent out by the Pan-American Union in preparation for a conference to be held on the question of cooperation between the law enforcement agencies of the countries belonging to the Pan-American Union, particularly with reference to activities of aliens. Mr. Friedman worked on this matter.

31. **American-Mexican Claims Bureau v. Morgenthau and Julian.** A petition to intervene as plaintiff in this case, which involves awards of the Special Mexican Claims Commission, was transmitted to
the Department by the United States Attorney with a request for
our comment. A letter in reply was prepared by this office sug-
gestng to the United States Attorney the possibility of attempt-
ing at this time to have the whole suit dismissed. Messrs. Sutton
and Friedman prepared the letter.
32. Z. AND F. Assets Realization Corporation v. Cordell Hull, etc.
Petitions were filed in the United States Supreme Court by the
plaintiff and intervener plaintiff for a writ of certiorari to the
United States Circuit Court of Appeals for the District of Columbia.
We conferred with Justice with respect to the brief to be filed by
the United States. A brief for the United States was filed on
September 20. Mr. Bernstein and Miss Hodel handled this work.
33. Armand Schmoll v. Federal Reserve Bank of New York. The
petitioner-appellant filed a brief on appeal from the order of
Mr. Justice Rosenman dismissing the petition as a matter of law.
This office has been cooperating with Customs in considering the
question of filing a brief on behalf of the United States as amicus
curiae in the above case. This matter was handled by Mr. Bernstein
and Miss Hodel.
MEMORANDUM

TO: The Secretary
FROM: Mr. Gaston

The following is a summary of information received from the Federal Bureau of Investigation:

October 2nd – a memorandum on general information about activities of Germans and German sympathizers which was thought to be of possible interest.

October 4th – memorandum relative to labor troubles encountered in the construction of the Corpus Christi Naval Base.

October 4th – a letter stating that an unverified report claims that General Juan Andreu Almazan recently engaged Mr. Homer Cummings, former Attorney General, as attorney and lobbyist. Also that an unidentified follower of General Almazan in San Antonio, stated that General Almazan claims that everything is "fixed" in the State Department and that Almazan will be recognized as a belligerent if he succeeds in starting a revolution.

October 5th – a letter stating that the Marine Midland Trust Company, New York, had on October 3, 1940 received $1,233,600 from Deutsche Goldidiskontbank, Berlin, Germany, to be credited to the account of the law firm of Topken and Farley, attorneys for the German Consulate General.

October 5th – a memorandum pointing out that European nationals avail themselves of the laws of Switzerland to incorporate in Switzerland, using dummies as incorporators, and stating it is quite possible that agents of the German Government as well as other foreign governments may use this device.

October 5th – a memorandum setting forth expressions of opinion from a German source on the current European situation, particularly with respect to the Dakar expedition and the recently signed German-Italian-Japanese pact.
10/9/40.
Memo, for Secretary
Re F.B.I. Information.

October 8th — a memorandum re an alleged four-hour conference between Captain Wiedemann, German Consul General at San Francisco, and a British Diplomatic official. It is claimed that the Captain indicated no disloyalty to Germany but showed a lack of friendliness to the present leaders. He stated that until recently Hitler had his own way in war plans, but that the apparent failure of the invasion of England to go forward according to plan was causing the army leaders to become less and less "yes" men. Wiedemann stated that he believed this was the beginning of the end and seemed to have instigated the conversation to learn how drastically England would deal with Germany at the conclusion of the war.
The six reporting banks' transactions in registered sterling were as follows:

Sold to commercial concerns  £106,000
Purchased from commercial concerns  £13,000

The Federal Reserve Bank purchased £40,000 in registered sterling from the New York agency of the Bank of Taiwan, Ltd., and £4,000 from another non-reporting bank.

Open market sterling was quoted at 4.04 until late afternoon, when it eased to close at 4.03-1/2. Transactions of the reporting banks were as follows:

Sold to commercial concerns  £6,000
Purchased from commercial concerns  £9,000

The Swiss franc remained fairly steady in very light trading. After touching yesterday's high of .2317-1/2, the rate returned to .2317 at the close.

A reaction took place in the Cuban peso quotation. As against yesterday's discount of 7-1/4%, that currency closed at 7-7/8% today.

The other currencies closed as follows:

- Canadian dollar  13-1/2% discount
- Swedish krona  .2353
- Reichsmark  .4005
- Mexican peso  .2083
- Argentine peso (free)  .2350
- Brazilian milreis (free)  .0505
- Lira  .0505

There were no gold transactions consummated by us today.
The Federal Reserve Bank reported that the following gold shipments were being consigned to it:

$6,221,000 from Portugal, representing three shipments by the Bank of Portugal, to be earmarked for its account.

$1,158,000 from Canada, shipped by the Bank of Canada for its own account, for sale to the U. S. Assay office at New York.

Total $7,379,000

The Bombay gold price declined the equivalent of 5¢ to $33.33, and silver was unchanged at the equivalent of 44.56¢.

In London, spot silver was unchanged at 23-7/16d. The forward quotation was also 23-7/16d, representing a gain of 1/16d. The dollar equivalent of this price is 42.56¢.

Ready and Harvard's settlement price for foreign silver was unchanged at 34-3/4¢. The Treasury's purchase price for foreign silver was also unchanged at 35¢.

We made five purchases of silver totaling 500,000 ounces under the Silver Purchase Act. Of this amount, 300,000 ounces represented a sale from inventory, and the remaining 200,000 ounces consisted of new production from foreign countries, for forward delivery.

CONFIDENTIAL
October 9, 1940

Knox called me over the White House telephone and said that he is ready to go to the President and recommend that the Navy give the English the entire Norden bombsight. He said that they had given us things equally valuable, such as a device where a plane, through radio, can detect another plane in the dark. It is this device which the so-called Night Hawks are now using successfully. The so-called Night Hawk device came through the Tizard Commission.
Those present, Secretary Morgenthau, Mr. Knudsen, Secretary Knox, Secretary Stimson, Mr. Patterson, Mr. Forrestal, General Marshall, General Brett, Admiral Towers, Commander Fanning, Mrs. Klotz, Mr. Young, Mr. Foley, and Mr. Buckley. (This meeting was called as a result of the first inspection trip to the Consolidated aircraft plant at San Diego.)

Secretary Morgenthau asked Mr. Forrestal to tell about the expedition to San Diego. Forrestal said that Major Fleet sounded like a man on the verge of a nervous breakdown, that he had been faced with an extremely rapid plant expansion, that there had been no delegation of authority, and that there was resultant confusion in the Consolidated plant. He added that Fleet was a fanatic and needed a responsible man to whom he could delegate authority to run the plant. Forrestal said that Fleet had mentioned a lawyer that he might be able to get (Mr. Schnacke). It was Forrestal's idea that Mr. Schnacke could be a buffer against Fleet's mental gymnastics.

Forrestal said with respect to the question of design that the British should take over the United States type ships to the extent that they could, because a great deal of time would be required to make changes in the planes already under construction. Knox added that he had had lunch with Purvis the day before and that he had sold Purvis on the idea that the British should adopt the United States type of bomb and bomb rack so that that question might be eliminated.

Knox said that he had also talked with Admiral Furlong about guns for the ships, and that it might be possible for the Navy to provide the machine guns and bombs to go with the planes turned over to the British. Knox added that he wanted to talk with Stimson and Morgenthau after the meeting about the bomb sight. Knox said that if the stabilizer portion of the secret bomb sight could be left in the planes a thirty day delay would be eliminated.

There seemed to be some difference of opinion among the members of the group as to the delivery schedule of Consolidated, so that the specific figures were not discussed. Forrestal pointed out that Consolidated had a Coast Guard flying boat about ready for delivery, but the Secretary said that he certainly would not give that up to the British.
Stimson asked what could be done toward standardization. Pennoyer said that it was very clear that nothing could be done at present on ships in production, that any change in design would slow production, and that he did not see how very much standardization could be achieved before the end of the current contract which would be next fall. Pennoyer added that part of the delay at the present time in Consolidated was due to the fact that wings were not being delivered by Brewster and that it was difficult to get adequate delivery from the aluminum company on forgings.

Secretary Morgenthau said that certainly from now on additional orders should call for just one type boat and one type bomber. Forrestal agreed with Pennoyer that little could be done at present to standardize the design as any change would definitely interfere with production. By not attempting to standardize the design, Forrestal pointed out that the British would get more planes quicker. Knox said there should be continued effort, however, toward the standardization of design but that, of course, the results of it would not show up until next year when new orders came into production. Secretary Morgenthau said he thought it was a discouraging outlook, but that both the British and the United States force should get together on the planes for next year.

Secretary Morgenthau pointed out that the Army had twenty-nine B-24A’s on order which had certain deficiencies, and it was his idea that the Army should not only give up twenty but that it should also give up the remaining nine as they would be orphans. General Marshall said that the Army should not have given up that many anyway. Secretary Stimson pointed out that Major Lyon had not yet returned from the Coast so that the group did not have the benefit of his report. Secretary Morgenthau said he would like to see and hear what Major Lyon had to say before any definite action was taken.

With respect to standardization, General Brett pointed out that there was already in effect a Joint Army-Navy-British Standardization Committee. This Committee had been working pretty well but it was hindered by the lack of British technicians. Knox said he had seen Lord Lothian and asked that the British send over some good technical people as well as some experts on aircraft operations. Forrestal said that Air Commodore Mansell was the type of person that should be sent over. Admiral Towers added that the British needed technical men to discuss radios, guns, bombs, armor, etc. There were evidently a number of technical items which had not yet been discussed between the British and the United States Army and Navy.
Mr. Knudsen said that they had asked the British to get some technicians several times, but that he was never able to get any answer. Knox said that Latham would see that some one was sent over. Brett added that he had had the same experience and that he had been trying to get the British back to work for the last six weeks but that they kept running out on him. Secretary Morgenthau said that if Brett would give him the items for which technicians were needed that he would tell Purvis at the end of the meeting and have them brought to the United States at once. Towers said he already had the list. The Secretary suggested that Towers and Brett get together on it with Knudsen.

The next thing to come up for discussion by the group was the management of the Consolidated plant. Forrestal said that Fleet would have to get somebody to help him, some one who could take over on the production job, and that somebody would have to tell Fleet the kind of men to get. Forrestal even went so far as to suggest taking the plant away from Fleet, but Knudsen said that that could not be done. Patterson suggested that Ted Wright ought to be able to find some competent people.

Patterson also stated that he didn't see why Fleet should be allowed to enlarge his plant when you couldn't get any planes out of it anyway. Further, that Fleet was a nut, that he roamed around and raved and clawed the air while the plant remained idle. He thought it was cock-eyed and hopeless. Mr. Knudsen said that Fleet needed new personnel badly and that he didn't have any confidence in the present setup. Stimson suggested that Fleet might be put under a receiver. It was agreed that there should be further discussion after receiving Major Lyon's report.

Next there was some discussion as to the production estimates which the group had received at the Consolidated plant. In this instance also, however, it was decided that little could be done until Major Lyon returned. It was arranged that Stimson, Knox, and Knudsen should work together in an attempt to try to arrange something intelligent in the way of a production schedule.

There was some further discussion as to the municipal problems brought up by Major Fleet at San Diego. Knox said that he thought only half of the cost should be borne by the Navy. Stimson added that he was shocked at the suggestion of doing anything at San Diego where the plant was delinquent, and further what was the point of building a new city to be bombed in the next war in the wrong geographical location. Secretary Morgenthau pointed out, however, that the plant was there, that planes had to be built and
that certain facilities were necessary. Secretary Stimson said he didn't see why fancy houses and water plants should be built for the Consolidated workers, and Secretary Morgenthau kept insisting that some facilities would have to be provided for the 3000 people who would be working at the Consolidated plant.

Mr. Knudsen said that when Major Fleet asked the Defense Commission for an increased plant that he had said nothing about these other problems. Forrestal said it was perfectly possible to make the water system self-liquidating, but Foley pointed out that there might be some trouble in getting a sufficient vote in San Diego to put the deal across. Forrestal said it would take about 7 million dollars to do the job for the water and about 2 million dollars to fix the sewer system. Knox said that the Navy would stand for half the cost.

Secretary Stimson said he would like to have another meeting on the whole problem after he had a chance to do his homework, but that in the meantime Secretary Morgenthau should talk with the English and get them to send over technical men. Knox asked Secretary Morgenthau to plead with Purvis to standardize the bomber. It was suggested by Foley that a sub-committee be set up to look after the San Diego problems, but it was agreed that Forrestal should handle the situation. Secretary Morgenthau asked Knudsen if he would follow up the Brewster wings and the aluminum delivery and Knudsen said that he would fix it up.
Introduction

It was found in conference with officials of Consolidated Aircraft Corporation at San Diego on October 4 and 5 that estimated deliveries of bombers and flying boats to the United States Army, United States Navy, and the British Government will be substantially less than earlier estimates upon which allocation of ships as between the United States Army and Navy and the British Government had been predicated. The comparison of these revised delivery estimates by Consolidated with the earlier estimates is as follows:

### Estimated Deliveries of Bombers

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### Estimated Deliveries of Flying Boats

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<td>Total</td>
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The above tables indicate a drop of 50% in Consolidated's estimated deliveries prior to June 30, 1941. Thus, the objective of setting substantial quantities of bombers and flying boats to the British Government before June 30, 1941, cannot be achieved without further adjustments.

Further, a review of the situation in the Consolidated plant indicates that even these revised estimates of deliveries will not be met. Support for this statement is the fact that the firm insists that not the slightest change be made in any aircraft now in production. This production problem must therefore be given continuous attention.

In any event, there will be further delay of at least thirty days to adapt these planes to British combat requirements. This period will be increased to from sixty to ninety days unless the automatic pilot portion of the Norden bomb sight be released.

To increase or expedite deliveries to the British between now and June 30, 1941, as well as after June 30, 1941, requires certain immediate decisions and actions, an outline of which follows:

I. Action required to increase or expedite deliveries to the British prior to June 30, 1941.

(1) A decision from the Navy as to release of the automatic pilot portion of the Norden sight.

(2) A decision from the British as to their willingness to take flying boats and bombers with certain combat deficiencies which must be remedied, provided the automatic pilot portion of the Norden sight be released.

(3) A decision from the British as to how many B-24 bombers they would take if the automatic pilot portion of the Norden bomb sight were not released, in view of the serious delay to be caused by installation of the Sperry pilot.

(4) A decision by the Army as to release of nine more B-24-A bombers to the British. (Seven B-24 bombers will be produced, of which the first 6 will go to the British and 1 to the Army. Then 29 B-24-A bombers will be produced with 20 going to the British and 9 orphans to the Army under the present agreement. Originally none of these bombers had turrets, leak-proof gas tanks, or armor. Provision will be made in a few of the later deliveries for tanks and armor.)

(5) Immediate expediting of deliveries of wing-tips for flying boats by Brewster. They were 15 sets behind on October 5.
(6) Immediate expediting of deliveries of various parts by the Aluminum Company of America.

(7) Immediate expediting of deliveries of miscellaneous items by various small producers.

(8) Formal instructions by the Army and Navy to Consolidated to rearrange production schedules so as to meet desired deliveries to the British.

(9) An immediate production survey of the Consolidated plant with effect being given to the findings of such a survey through pressure brought to bear by those interested United States Government agencies which are in a position to do so. Certainly plant utilization is open to serious question for they now use 8,000 men on one ten-hour shift and 3,700 on another, with much of the plant idle on the second shift and almost all of it idle on Saturday and Sunday.

(10) A decision by the Navy as to the release of Navy bombs to the British in case Navy flying boats, equipped with Navy type bomb racks, are diverted to the British Government.

(11) A decision by the Army and Navy as to their willingness to release the .50 caliber machine guns necessary to equip any Army bombers and Navy flying boats diverted to the British.

(12) A decision by the Army and Navy as to their willingness to release the motors necessary for any Army bombers or Navy flying boats diverted to the British.

II. Action required to expedite deliveries of flying boats and bombers by Consolidated after June 30, 1941.

(1) Establishment of a permanent Anglo-American planning and design Committee to agree on standard models for the placing of future orders. This could be accomplished by extending the scope of the existing joint committee on standardization.

(2) Agreement by the United States and the British to limit changes on planes already in production to those absolutely necessary for tactical reasons.

(3) Agreement by the United States and the British to make changes simultaneously wherever possible.
(4) Immediate executive meetings between representatives of the United States Army and of the British Purchasing Commission with a view to reconciling differences between the United States Army bomber type B-24-C and D and the British bomber type LB-30 with particular reference to the following items:

a. Bomb sight and related items, including automatic pilot
b. Radio and navigation equipment
c. Armor
d. Armament and related items
e. Bomb racks, bombs, and related equipment
f. Turrets
g. Turbo-superchargers

(5) Immediate executive meetings between representatives of the United States Navy and of the British Purchasing Commission with a view to reconciling differences between the FBY-5 and the British flying boat type 28-5-M2, with particular reference to the following:

a. Bomb sight and related items, including automatic pilot
b. Radio and navigation equipment
c. Armor
d. Armament and related items
e. Bomb racks, bombs, and related equipment
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TESTATIVE LESSONS BULLETIN
No. 57
G-2/26 57-235

MILITARY INTELLIGENCE DIVISION,
WAR DEPARTMENT,
Washington, October 9, 1940.

NOTICE

The information contained in this series of bulletins will
be restricted to items from official sources which are reason-
ably confirmed. The lessons necessarily are tentative and in
no sense mature studies.

This document is being given an approved distribution, and
no additional copies are available in the Military Intelligence
Division. For provisions governing its reproduction, see Let-
ter TAD 321,19 M.I.D. (8-16-40) N-B-M.

USE OF AVIATION IN THE GERMAN ATTACK ON
THE MAGINOT LINE

SOURCES

The following information was secured by official Ameri-
can observers on a conducted tour through the Maginot Line and other
areas July 9-13, 1940. It is based upon personal observation and
conversation with German officers and other official observers.

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1. OPERATIONS
   a. Yssel Sector
   b. Saarbrucken Area
   c. Sedan Area

2. TACTICS
   a. Assignment of Planes
   b. Speed
   c. Raids on Reserves
   d. Aerial Photography
   e. Ground Reconnaissance
   f. Balloons

3. CONCLUSIONS

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-1-
CONFIDENTIAL

1. OPERATIONS

a. Vosges Sector

No mention of the use of the air arm was made by German officers during a tour of the Vosges sector, but it was neither stated nor inferred that aviation was not used. The only clear and direct evidence of its use was one bomb crater near a French bunker.

b. Saarbrücken Area

Direct air support was used in the break-through of the Maginot Line on this sector June 14, 1940.

The task of making the break-through was assigned to Lieutenant-Colonel Mikesch, already decorated as commander of the Pioneer battalion which reduced Fort Eben Emael. His troops are specialists in reducing fixed fortifications, and under the German system, he is assigned such auxiliary troops from any or all arms as he may need for a particular operation.

Reports indicate that, in the reduction of the Belgian forts, Colonel Mikesch's losses were as low as three to five per cent. In the Saarbrücken area, however, his losses were almost as high as 50 per cent, since the weather was such that Stukas could not be employed on the morning of the first day of the attack.

The use of aerial photography in preparation for operations in the Saarbrücken area is mentioned in Paragraph 2d, this bulletin.

In the Saarbrücken area observers saw a medium type French bunker which had obviously been put out of action by the direct hit of a Stuka bomb. This bunker was seen from a moving bus and pointed out by a German officer as an excellent example of the destructive effect of air bombing on fixed fortifications. It was impossible to examine the bunker in detail or at close range, but the destructive effect of the bomb was obvious even from a distance of about 500 feet. Walls of the bunker, approximately three to four feet thick, were constructed of reinforced concrete and steel. One side of the bunker appeared to be entirely torn away.

c. Sedan Area

Employment of the air force in the Sedan area was apparently the same as that in the Saarbrücken area. Much evidence of Stuka attacks was noted in the region about Sedan.
2. TACTICS

a. Assignment of Planes

A German officer stated that assault planes—Stukas—are sometimes attached to units as low as the division and may be attached to units of any size if the situation warrants. He added that when strong resistance is encountered the ground troops first call for Stukas. When asked about the amount of assault aviation employed, he said it was based upon the amount available and was always less than half of what the ground forces would like to have.

b. Speed

Other German officers stated that the success of an attack on a fortified line depended primarily upon the speed with which the attack was executed and continued forward. This continued speed, they said, prevented the defender's reorganizing or launching successful coordinated counterattacks. The officers did not believe that the necessary speed could be maintained without air supremacy and strong air support.

c. Raids on Reserves

Another important element in the success of a breakthrough is preventing the movement of enemy reserves. This was accomplished by the air force. Roads and bridges were severely bombed in reserve areas and the reserves themselves were subjected to air attacks.

d. Aerial Photography

Aerial photography is extensively used by the Germans in preparing for attacks on fortified positions. In the Saarbrücken area each commander participating in the attack had an aerial photograph not more than five days old showing exactly the terrain he would cover and the fortifications he would encounter. Great importance was attached to this photographic information.

e. Ground Reconnaissance

German officers gave the opinion that ground recon­naissance by a defending force in a fast moving attack is too slow to be of any value and that in the face of an attacker's air supremacy, the defender cannot effectively employ his reserve because of lack of timely information. This would be true even in case his reserve were intact and capable of being moved.

f. Balloons

Little information could be obtained regarding the
employment of observation balloons. It was stated that balloons were used, but only for heavy artillery observation. The observation balloon is not considered particularly good for the fast moving type of warfare. Excellent radio communication now permits artillery units to place their observers well up in front, and thus to eliminate the need for balloon observers. According to a German officer, a new stabilizing device has been perfected which prevents sway in a captive balloon.

3. **CONCLUSIONS**

The observers arrived at the following conclusions:

a. In German tactics the air force is considered a vital element in an attack on a fortified line.

b. There is apparently a direct relationship between the number of casualties sustained by ground attackers and the number of assault planes employed in an attack on a fortified position. Ground force casualties decrease as air strength (superiority) is increased.

c. It was particularly observed on this trip that all detailed information regarding tactics and employment of the air arm is carefully withheld. Such information is carefully guarded in Germany at the present time.

*Note: Before attacks were made on the Maginot Line, American officers remarked upon the weakness of the fortifications due to the absence of antiaircraft defensive measures. It should be observed that adequate provision of antiaircraft weapons of all calibers might considerably have lessened the moral and material effect of Stuka attacks.*

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Regraded Unclassified
I. Western Theater of War.

1. No ground operations.


The German attacks during daylight of the 8th and during last night are characterized by the British as the heaviest of the war. The day attacks were widespread and included the London area, southeast England and west coast harbors. The Germans also report day attacks on 7 airfields. The night attacks, while heaviest over the London area, where 300 tons of bombs are claimed to have been dropped, also were executed over southwest and west England.

The R.A.F. made a few daylight raids along the Channel coast on the 8th. Last night they conducted normal operations against western Germany. The principal attacks were made against Bremen and Wilhelmshaven. Other points attacked included Kiel, Hamburg, Gelsenkirchen (oil refineries), the Krupp works at Essen, Mannheim, Gernberg, several airfields, and the French ports of Boulogne and Lorient.

II. Mediterranean and African Theaters of War.

No ground operations and only minor air activity reported.

III. Far East.

There are indications of a deterioration of Japanese-American relations beyond those published in the press.
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Paraphrase of Gata Telegram
Received at the War Department at 8:45 p.m. October 9, 1940.

LONDON, filed 15:15, October 9, 1940.

1. The Bomber Command carried out practically no operations during daylight hours of Tuesday, October 8th. That night a total of 100 planes were dispatched with objectives as follows: oil targets in Germany, 11; enemy naval bases, 10; alloy factories in Germany, 6; invasion ports, 50; railroad yards in Germany, 10; and 6 laying mines. The Coastal Command operated 26 planes on 51 missions and the escort of 25 convoys. This Command lost three planes and had three damaged, while it destroyed one enemy plane and damaged another. The Fighter Command operated 250 planes on 203 patrols.

2. The German Air Force carried out four main attacks during the morning of October 9th, consisting of about 50, 50, 50, and 40 planes, respectively, most of which were fighters. Reconnaissance missions and minor raids were carried out elsewhere. The raids during that night were over a wide area and lasted from 7:00 p.m. to 6:00 a.m.

3. German plane losses were six confirmed, two probable and three damaged. The British lost four planes and four pilots. All planes lost on both sides were fighters.

4. The Charing Cross railway and subway stations are closed. A hit in Whitehall on the morning of October 9th damaged several government offices. During that night two power stations

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were set on fire but are still in operation. Fires set in four factories were soon under control. An aircraft factory in Lancashire was damaged but production continues. Two railroad lines were blocked. The Severn Bridge is out of service for three or four days. Fires were set in (1) aviation factories but they were soon extinguished. Buildings and railways were damaged. Attacks were made on six airfields. Two planes were destroyed on the ground and two airfields are now unserviceable due to unexploded bombs. The German bombardment during the last 24 hours, even though very dispersed, was apparently the most successful of any up to this time. It is now reported that on the night of October 7-8th three fighters were destroyed on the ground and others damaged in the attack on Boston Airbase.

5. One convoy of 41 and one of 9 merchant vessels has arrived safely in Britain. One merchant was disabled by mines.

6. The invasion situation remains static. When the German concentration in Finland and Norway is complete there will be four German divisions in the Kirkenes-Narvik area. Less than one division has passed through Finland recently.

7. There have been considerable Italian activities in their forward areas in Egypt and along their lines of communication. Forward elements have not been reinforced but there are evidences of preparations for an advance. Reliable reports state that the Italian call for volunteers to serve in the German Air Force was a complete failure and that aviators are being ordered to this duty.

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5. General de Guille landed at Alcan, Bay, Fernando Po.
Spanish West Africa, on October 2th.

Distribution to:

Military Aide to the President,
Secretary of War
State Department
Secretary of Treasury
Asst. Secretary of War
Chief of Staff
War Plans Division
Office of Naval Intelligence

CONFIDENTIAL
Paraphrase of Code Telegram Received at the
War Department 9:11 p.m., October 9, 1940.

Peiping, Filed 17:55, October 9, 1940.

Reliably reported that Peiping Staff of the German
Embassy is to be increased and will include army officers.
There has been a steady flow (about 60 all told) through the
Peiping area of young Germans, coming directly from Germany
and said to be on vacations. A reliable source states that
many of them are air officers. Their objectives and ultimate
destinations are not known. The German air attaché to Japan
is visiting Peiping.

MAYER

Copies to: Military Aide to the President
Secretary of War
State Department
Secretary of Treasury
Asst., Secretary of War
Chief of Staff
WTD
OMI
Personal and Secret.

Dear Mr. Secretary,

I enclose herein for your personal and secret information a copy of the latest report received from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

[Signature]

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D.C.
Telegram from London dated October 8th.

1. Naval.
   A British submarine reports that on the night of October 1st she attacked a northbound convoy of six merchant vessels off the Dutch coast. Results were not observed but a loud explosion followed the firing of the last torpedo.

   A British destroyer was mined off Dover on the evening of October 7th and was taken in tow by another destroyer.

   His Majesty's Canadian destroyer "St. Laurent" was in collision early this morning but is returning to harbour under her own steam.

2. Royal Air Force.
   During the daylight of October 7th two medium bombers attacked small craft at the mouth of the Scheldt and 6 Blenheims from the Coastal Command attacked shipping in Le Havre where a large fire was started. All of these aircraft returned.

   During the night of October 7th-8th 165 bombers were detailed for operations as follows: invasion ports 49; targets in Berlin area 46; shipping in Germany 25; marshalling yards 19; gun emplacements 16; and mine laying 12. All machines except 1 Wellington returned. Results are not yet available.

   During the daylight of October 7th enemy
made four major raids over east Kent in the direction of London. The first of about 150 aircraft was reported at 10.30 o'clock and a few reached the inner zone. The second raid at 1.30 contained two formations, 1 of about 100 aircraft approached from the Maidstone direction and the other up the Thames estuary. A similar raid of about 100 aircraft passed east of London at 4 p.m. in the direction of Essex and at the same time about 40 crossed the south west coast but were turned back when halfway to Bristol and dropped their bombs in the Yeovil area. Our fighters were despatched to intercept these formations and a number of enemy aircraft were shot down. The proportion of enemy fighters to bombers was approximately 3 to 1. No military damage was reported from these raids and the only industrial damage was a fire in London docks which was extinguished the same evening.

During the night of October 7th/8th, widespread bombing took place, the heaviest attacks being upon the London and Liverpool and Manchester areas. Preliminary reports indicate that damage and casualties are small in proportion to the number of bombs dropped. Seventy-one fighter sorties were made by our aircraft but no reports of interceptions have yet been received. Enemy mine laying is suspected off the east coast and in the Mersey area. In London a few cases of damage to public services are reported and one fire station received a direct hit. The aerodromes at London and Liverpool were attacked; at the former a hanger was hit and at the latter one aircraft was destroyed. Both aerodromes remain serviceable.
4. casualty of air operations.

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<th>Name</th>
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<td>Bombers</td>
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<td>Fighters</td>
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<td>Total</td>
<td>27</td>
<td>5</td>
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In addition a Blenheim of the Coastal Command while on reconnaissance shot down an HE 109 off Cherbourg.

British: 16 fighters (10 pilots safe)
One heavy bomber missing.

5. Shipping Casualties.

One small British vessel (900 tons) was mined and sunk off the southwest English coast on the 6th.

A convoy of 46 ships has arrived safely in home waters; it included 6 tankers and 16 cargoes of iron and coal.

6. Romania.

It is believed that two groups of German motorised anti-aircraft artillery passed through Romania on their way to the oil producing districts on October 6th.

7. Middle East.

Libya.

Marshal Graziani returned from Rome to Libya on October 6th.
MEMORANDUM FOR THE SECRETARY

For your information, I have sent two men to Mr. Straus of the
United States Housing Authority as possibilities for the administrative
job which he has open. One was Ewart Hester, a brother of our former
Assistant General Counsel, Clinton Hester, and the other was Davis Waters,
who is now with the Public Works Administration. Ewart Hester is a
clean cut, dynamic fellow like Clinton, although not quite as experienced.
Mr. Straus felt that notwithstanding the ability and experience of these
men neither of them met his specifications. What he is really looking
for is a McReynolds or a Graves or a composite of both.

I have had others in mind big enough for the job, such as William L.
Mitchell of the Social Security Board and Messrs. Lawton and Patterson of
the Bureau of the Budget. Upon contacting these men I was surprised to
find that they were not at all interested, because word seems to have
gotten around that the United States Housing Authority is an undesirable
place for an administrative officer, the difficulty apparently being
that no matter how sincere Mr. Straus may be in his assurances of backing
up such an administrative man Mr. Keyserling, the Deputy Administrator,
has a way of coming into the picture and making it impossible for such
an officer to operate satisfactorily. I told Mr. Straus frankly that
this is what I had run into, but he stated that such a condition would
no longer exist, inasmuch as his organization chart now sets up a place at the top for an administrative officer who would be subject only to directions from Mr. Straus himself. Notwithstanding this, it is still the feeling of those persons whom I had contacted that as long as Mr. Keyserling is in the organization it will be impossible for anyone going into it to avoid running into an impossible situation. Mr. McReynolds, with whom I have discussed the matter, is of the same opinion. The men whom I have contacted do not wish their names to go before Mr. Straus, in view of the impression they have of his organization, and I have not therefore given them to him. I am sure however that he appreciates what I have been up against, and I have told him that if I do run across a man big enough for the job and willing to undertake it I will let him know, but it is not very promising in the circumstances.
October 9, 1940.

My dear Dr. Angell:

It was indeed kind of you to write to me as you did under date of October 4th.

When one knows that he is right it still helps greatly to get words of encouragement from a source that commands respect.

I am most deeply grateful.

Sincerely,

(Signed) H. Morgenthaler, Jr.

Secretary of the Treasury.

Dr. James R. Angell,
155 Blake Road,
Hemden, Connecticut.

cc to Mr. Thompson
October 5, 1949.

My dear Dr. Angell,

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Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Dr. James R. Angell,
215 Elkie Road,
Haven, Connecticut.

Copy to: Mrs. Morgenthau
H. Morgenthau, Sr.
Jean
Rebecca
Henry
Copy of this letter sent to:

Mrs. Morgenthau
H. Morgenthau, Sr.
Joan
Robert
Henry, III
Internal

To a common citizen deeply concerned for the fate of our American heritage, I have long been convinced that the most effective, the least expensive, and the least expensive course of action open to us is found in the prompt and lavish contribution to England of whatever she needs, and we can supply to aid her in her fight for life against barbarism.

My sources of information have made it impossible for me to know a good deal of what you have personally been able to do, and I want to express to you my deep gratitude and my confident belief that the courage and imagination, which have often been called for in your past are sure to be accounted as patriotic service of the finest kind, even though you may be subjected to severe criticism. Do not falter in this good work.
in which civilization itself, not less than the safety of our own country, is at stake.

I remember with pleasure the golf game at Bar Harbor with your father some years ago. Than hardly had it pleased me to see you. Since then, though, I have followed your career with keen interest.

Sincerely yours,

James A. Garfield

155 Blake Road
Harlem

[Signature]
To: Secretary Morgenthau

Sent at the request of Mr. Forrestal

Mr. Forrestal.
SMITH, SCHMACK & COMPTON
Attorneys and Counselors at Law
131 North Ludlow Street
Dayton, Ohio

October 9, 1940

Hon. James Forrestal
The Under-Secretary of the Navy
Washington, D.C.

Dear Mr. Secretary:

I wish to acknowledge and thank you for your letter of October 7th regarding the proposal that I go to San Diego to assist Consolidated Aircraft Corporation. I am sure that this letter will be useful in helping me to arrange my affairs. I have talked with Major Fleet on the telephone and am arranging to be in San Diego by the first of next week. I will probably leave Dayton by air on Saturday evening and should arrive in San Diego on Sunday morning.

After talking the situation over in San Diego and sizing it up, I will be able to make a more intelligent decision as to the length of time that I should be there. In any event, I am planning to be there most of the time during the next two or three months.

Very truly yours,

/a/ F. D. Schmacke

Regraded Unclassified
October 5, 1940.

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

I have signed the Tax Bill, H.R. 10413, without comment at this time and I note that your letter of October third is limited substantially to a description of the Bill and an estimated yield, without commenting on the advisability of the Bill as drafted.

Will you be good enough to have the Bill, now a law, studied from the point of view of its affect on corporations taking into special consideration discriminations against certain types of corporations, large and small, or discriminations in favor of other types of corporations.

I am still of the belief that this Bill discriminates in favor of the type of corporation, for example, which has a relatively small amount of actual invested capital but which, for the past four years, has had very high earnings on the money actually invested.

F.D.R.
Following the conference which Professor Chamberlain and he had with the Secretary this morning, Mr. Peible told me that he planned to consult Mr. Bernstein in regard to legal questions arising from the German control being now exercised in Romania, since some of the banks in New York, including the Federal Reserve Bank, were nervous over this situation. Mr. Peible said that it was the Secretary's desire that I should then speak to the Department of State in regard to the question which the Treasury posed some days ago, that is, whether the Department of State desired that the Treasury extend its control to Romanian assets on this market.

Shortly after 12 o'clock Mr. Cameron telephoned me from the Federal Reserve Bank in New York. He stated that a cablegram had been received from the National Bank of Romania requesting that $4,000,000 be paid from its account with the Federal to the Chase Bank. The Chase Bank has informed the Federal that it has received instructions from the National Bank of Romania to hold this $4,000,000 at the disposal of the Central Bank of Argentina.

The Federal Reserve Bank at New York found that the "test" in the message to it from the National Bank of Romania was incorrect insofar as the date was concerned. Consequently the Federal has asked the National Bank of Romania for a confirmation of the "test". Until this is received, the Federal Reserve Bank will not make the transfer; once the "test" is received and found in order, the Federal will have no choice but to proceed with the transfer, unless the Treasury might take some action in the premises.

After learning from Mr. Peible that Mr. Bernstein thought the question should be again raised with the State Department, pointing out that one of the basic purposes of our control is to protect American economy, including American banks holding foreign assets, and after receiving the above message from Mr. Cameron I telephoned Mr. Fasolasky in the Department of State, one of the four members of the Committee which Secretary Hull had with him yesterday when the Treasury representatives met in Secretary Hull's office on freezing problems. I explained the situation to Mr. Fasolasky. He thought this was a matter which could most properly be handled through the Interdepartmental Committee suggested yesterday.

I therefore went in to see Mr. Bell shortly after 12:30, where Mr. Bernstein also was present. After we discussed the situation Mr. Bell telephoned Assistant Secretary of State Berle. The latter promised to convene his Committee and let the Treasury hear from him before the end of the working day. I have telephoned Mr. Cameron in New York and have told his secretary, in his absence, that the matter of Romania had been taken up with the Department of State. Some decision in the premises was expected today, and if Mr. Cameron received a confirmation of the "test" from Romania, he should not take action on the transfer without first speaking with me.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE October 9, 1940

TO Secretary Morgenthau
FROM Mr. Cochran

STRICTLY CONFIDENTIAL

Mr. Pinski telephoned me yesterday evening from the British Embassy. He stated that he had received some statistical information from London which he hopes to tabulate and have in form for presentation to us within the next two or three days. He is holding up the report which was expected for delivery to us on October 3, for inclusion in the more general statement on which he is working. Mr. Pinski hopes that he may be able to give the Secretary an oral explanation of certain items included in his report.

This morning Mr. Pinski telephoned me that the date for the contemplated departure from London of Mr. d'Arcy Cooper, senior member of the British Export Council, for the United States has been advanced. The Embassy thought, therefore, that it should immediately proceed to learn from the Department of State whether an indication could be given to the British Government that the mission of Mr. Cooper, for the purpose of discussing the extension of British exports to the United States, would be welcomed by the United States Government. Pinski asked if I could indicate that Secretary Morgenthau's reaction had been to the information provided in Mr. Pinski's earlier conversations on this subject.

I told Mr. Pinski that Secretary Morgenthau confirmed that he had not discussed the above subject with Sir Frederick Phillips when the latter visited us this summer. The Secretary feels that this is a subject which falls within the field of the Department of State. In answer to Mr. Pinski's question as to whether an occasion might arise for Secretary Morgenthau to receive Mr. Cooper if and when the latter is in this country, I told Mr. Pinski that I was sure the Secretary would be sympathetic to any request made of him by the Embassy.

[Signature]
October 9, 1940
4:56 p.m.

Sumner Welles: Hello, Henry.

H.M. Jr: Sumner, in the first place, I'm sorry about this after ..... 

W: Oh, I understood fully.

H.M. Jr: That the thing went on and on ..... 

W: Yes, indeed. I know.

H.M. Jr: Now, Berle has been in touch with Dan Bell about our freezing the Rumanian funds tonight. I tried to get Mr. Hull and they say he's out of touch for an hour and a half, so I take it you are Acting Secretary. Are you familiar with it?

W: Yes, I'm familiar with it, Henry, but since he's here in town I think it's preferable for me to pass it on to him.

H.M. Jr: Well, there's a $4 million transaction which we are holding up which is to go through from the Federal Reserve to the Chase in the Argentine on Rumanian funds, but we could ask them to hold it up tonight.

W: I think that ought to be done anyhow and then we can decide on the definite policy with you tomorrow.

H.M. Jr: All right. I'll tell them to hold this particular thing and not - just to hold it.

W: Yes, Henry. While you're on the wire I want to talk to you about another matter.

H.M. Jr: Please.

W: I'm very anxious to have a chance to talk with you about two or three things that are urgent and your secretary suggested when you couldn't keep the appointment this afternoon 3 o'clock tomorrow. 3 o'clock tomorrow is my weekly meeting of the
Inter-American Financial and Economic Committee over which I have to preside and I can't give it up, but if there is some other time tomorrow afternoon that you have available, I'd like to drop over.

H.M.Jr: How long does that run?

W: Usually an hour to an hour and a half.

H.M.Jr: Well, Lacour-Gayet is coming in at 11 tomorrow. Are you free at 11:30?

W: 11:30? Just hold the wire one second and I'll tell you. (Talks aside). 11:30 will be all right, Henry.

H.M.Jr: I'll put you down at 11:30.

H.M.Jr: How would you take the initiative tomorrow on this Hungarian thing?

W: I will.

H.M.Jr: And we'll hold everything tonight.

W: Hold everything tonight and I'll let you know the first thing in the morning.

H.M.Jr: Thank you. Berle seems to be on it but I want to make sure that Hull and you know about it.

W: Right. Now one other matter — I understand that you told Espil last night that you would prefer not to have Trabidge come up here until after November.

H.M.Jr: That's right.

W: Have you any strong feeling on the subject?

H.M.Jr: No, but I just think it would be more — how shall I say — effective.

W: I'd be grateful if you would withdraw your objection for this reason, that I think it is tremendously important to give them the feeling down there that we're postponing —
you're not familiar with all the difficulties we've had in regard to trade agreement during the past years. Time and again we've made tentative commitments to them and time and again we've withdrawn and I think if we show a lack of interest now it will probably have a bad effect.

H.M.Jr: I see.

W: And politically here I think anything that is purely financial in character - not trade agreement - would be taken as all right because it's strengthening nation defense and Inter-American cooperation.

H.M.Jr: Well, it's just my own feeling. I expressed it to your own people ten days ago, but if you want them to come up that's.....

W: Well, I'd be awfully grateful if you'd let me tell them that you are satisfied to have them come up.

H.M.Jr: That's all right. Sure.

W: All right, Henry. Thanks a lot. Then I'll see you tomorrow morning at 11:30.

H.M.Jr: Please.

W: Right. Good-bye.
October 10, 1940
8:55 a.m.

Harold Ickes: Henry.

H.M.Jr: Good morning.

I: Any more signs of embargoing gasoline to Japan?

H.M.Jr: No. There not only are not any signs, but the stuff is flowing at a great rate. Of course the thing to do is the thing that I think Frank Knox suggested, to drop the octane content.

I: Sure.

H.M.Jr: But they've got the worst attack of jitters over at the State Department I ever saw.

I: It's really incredible.

H.M.Jr: I mean, I've never seen such an attack of jitters.

I: Well, my God, here we are sending gasoline over to Japan to give them the power to kill a lot of our own people.

H.M.Jr: Well, this is the way I feel, Harold. The Burma Road thing will be opened the 17th or 18th, you see, and if the Japanese back down and do nothing, then that's a great victory for people like yourself and Stimson and myself who think that the thing to do is to give them a crack on the jaw and they'll like it and take it, and I think if they do nothing then I thought that some of us might get together and put up a big fight to really do something on the gasoline thing.

I: Well, I think we ought to.

H.M.Jr: What?

I: I think we ought to. How about that ship that you torpedoed?
H.M.Jr: (Laughs). You know the President's great—
he likes that but on the other hand, as you
know, he won't tell Hull to lay off me.

I: No, I know he won't.

H.M.Jr: What?

I: I know it.

H.M.Jr: Yeah, she's beached. She's still there as far
as I know.

I: (Laughs). Well, you had better go and drill
another hole in her bottom.

H.M.Jr: Yeah. But I thought right after the Burma
Road thing if the Japanese back down then I
thought I'd really start to fight, but right
now if I did anything or you did anything and
they did something why they'd put the entire
blame on us.

I: All right, I was just interested to know what
you were doing.

H.M.Jr: Well, you keep after me, will you?

I: Yeah.

H.M.Jr: Will you?

I: Yes.

H.M.Jr: Please.

I: All right, Henry.

H.M.Jr: Thank you.

I: Good-bye.
October 10, 1940
9:15 a.m.

H.M.Jr: Hello.
Operator: Hello.
H.M.Jr: Hello.
Mr. J. T. Hartson: Good morning, Mr. Morgenthau.
H.M.Jr: How are you?
H: Very well indeed, thanks.
H.M.Jr: Is Mr. Martin away?
H: Yes, he's gone over on Eastern Shore this morning.
H.M.Jr: Will he be back today?
H: No, he'll be back in the morning.
H.M.Jr: Uh-oh. I had a little time off and I wanted a breath of air and I thought I might come over this afternoon quietly.
H: Well, let me call you in a little while. I think I could get hold of him in the next hour and it's very possible he might slip back.
H.M.Jr: It's so seldom I can get off and I thought I might be able to leave here about 2:15 and just slip over there.
H: Well, now, I think that would be swell and I think Mr. Martin would be delighted to come back so as to talk with you, Mr. Secretary.
H.M.Jr: When do you think you could let me know?
H: I think in the next hour.
H.M.Jr: That would be good. Let me ask you a question.
H: Yes, indeed.
H.M.Jr: These two bombers which you are building, one for the Army and one for the English, how far apart are they in design?

H: Completely different, sir.

H.M.Jr: Completely different.

H: Yes. No similarity whatsoever.

H.M.Jr: None whatsoever.

H: None at all.

H.M.Jr: If we could get them together on, say, one bomber, would that help your production problems over there?

H: It probably would have had it come a little earlier, sir. Now I think we're too far down the line on both of them to be of much help. However, I'll talk that over with our vice president of manufacturing this morning and see what he thinks.

H.M.Jr: Well, how about - I mean, there must be a period of certain months where if you could get together, say, on one bomber it might make a difference.

H: Yes, and that, I understand, is more or less the program. Our British production at the moment will carry us through until about - well, let's see, the present orders expire on October 31st and the options they intend to exercise would carry us over until February or March of '42. From that time on we would, as I understand it, concentrate on the Army bomber.

H.M.Jr: Yeah, but that's a lifetime.

H: What's that?

H.M.Jr: That's a lifetime.

H: Oh, yeah, I understand that.
H.M.Jr: I mean, how about - what I'm interested in - if you were said - here you write the ticket, how can you get increased production for the Army and the English between now and the first of July, '41?

H: Increased production.

H.M.Jr: Between now and the first of July '41 for the Army and English, how would you go about it.

H: I doubt very much, Mr. Secretary, if there is much we can do beyond our present schedule.

H.M.Jr: Oh, there must be something you can do.

H: The matter involved there is largely getting material in and that seems to be our bottleneck at the moment - material as represented by forgings and machinings and castings.

H.M.Jr: You mean to say there is nothing you can do between now and the first of July to increase your production?

H: I doubt very much if there is very much we can do although I'd like to talk it over here before I give you a positive answer and when I call you back I'll tell you some more about it.

H.M.Jr: Will you?

H: You bet I will.

H.M.Jr: Thank you.
October 10, 1940
9:16 a.m.

H.M.Jr: Hello.

James Forrestal: Henry.

H.M.Jr: Jim, I felt awful lonesome yesterday.

F: (Laughs).

H.M.Jr: My God!

F: Well, we're ....

H.M.Jr: At least Knox, you and I knew what it was all about, which was something. Have you ever attended a meeting like that? (Pause)

Operator: Are you cut off?

H.M.Jr: Yeah.

Operator: Sorry, I'll get him right back.

F: Cut off.

H.M.Jr: Yeah.

F: Well, I think after all the pain and struggle however you're getting some results. This man telephoned in last night to Towers and he agreed to our deal; that is, to his contract on the PDY-2 and .......

H.M.Jr: Wait a minute. You're ahead of me. I don't understand.

F: On Consolidated.

H.M.Jr: He agreed to what?

F: Well, he was arguing about - they wouldn't take a contract for the production of new boats.

H.M.Jr: Who wouldn't.

F: Fleet.
F: Well, it was that telephone conversation which Towers read yesterday.

H.M.Jr: Oh. I didn't know about it.

F: Well, I didn't know about it.

F: Well, he read it in that meeting. It was just an evidence of how irrational this man was.

H.M.Jr: Well, they passed it around but I didn't see it. Everybody saw it but me. He wouldn't take another order?

F: No. In any case he came back on the track, took the order, took it at our price and on our terms in general.

H.M.Jr: That's for more boats?

F: Yes. Now, he also has taken that man Schnacke, who's name is in the letter that I gave you, who'll be out there on Monday.

H.M.Jr: Schnacke, that's the lawyer.

F: That's right. Now, I've talked to Schnacke and he impresses me a rational and clear-headed man. Knudsen is sending Mead out. I'm going to see Mead because I think there is some danger of this bird's harassing him with too damn many people. Mead, however, I don't think will because he is, I understand, a very tactful fellow, but I think that all of these things - I don't agree with what Stimson said, you've got to deal with what you've got, and many of these men are exploding under the internal pressure of not getting mad at themselves.

H.M.Jr: Well, I think that - I mean, I felt that both Stimson and Knox were, well, let's put it, not sufficiently educated on this whole thing particularly on the municipal end of it.

F: That's right. Well, we'll get that through today.
H.M.Jr: You will?
F: I think, yeah.
H.M.Jr: I've got to count on you on that because it's all very well to talk about not building a federal city and all of that stuff.
F: Oh, but hell, I get impatient with that. We're not talking of a federal city, we're talking of world explosion.
H.M.Jr: Right, and the Navy has this tremendous plant out there exclusive of Consolidated and you've got to take care of an influx of fifty to a hundred thousand people. Now, how are you going to do it?
F: That's right. Well, I think we'll get that through. Now, I just want to report these facts to you which are in my judgment considerably more encouraging this morning.
H.M.Jr: Well, now, let me go after you on something.
F: All right.
H.M.Jr: These wing tips being made by Brewster are for the Navy flying boats.
F: Yes.
H.M.Jr: Now that's the Navy's responsibility.
F: Yes.
H.M.Jr: Now what the hell are you going to do about it?
F: Well, we've got to - Knudsen said yesterday that he was - I'm going to talk to him, I have talked to him already last night after that meeting. We've got to get a man up there to produce the wings.
H.M.Jr: But I mean, are you going to go after the Brewster end?
F: Yes. Well, I'm going to do it through Knudsen.
H.M. Jr: You're going to do it through Knudsen.

F: Yeah. And then I think we've got to see whether we can get the Briggs Body Plant making wings and whether - then it's a question of whether your thought of having that plant well, you see the parts plant is to include wings also whether they have that at Salt Lake City or not but I think we've got to - I don't want to upset what Knudsen is doing so I'm going to do it through him.

H.M. Jr: I see. Well, now, let me ask you this. I rode down this morning with Bob Patterson and it's perfectly agreeable to him now to send a group similar to the one that went to the other place to both Douglas and Lockheed, so if either you or Frank Knox could bring that up tomorrow, see?

F: Right.

H.M. Jr: And that a similar group should go out to the West Coast and do a job on those two concerns because that's where the English have big orders and the English don't have any orders at Boeing so it's no concern of ours. You don't either.

F: Right.

H.M. Jr: But I'd like to do those others as soon as possible.

F: Douglas and Lockheed.

H.M. Jr: Yeah.

F: Well, we can do it.

H.M. Jr: So the English will be ready to go and my boys will be ready to go. I think if either you or Knox could make that suggestion tomorrow ......

F: All right, Henry.

H.M. Jr: Thanks for calling.
GROUP MEETING

Present:
Mr. Haas
Mr. Pehle
Mr. Foley
Mr. Graves
Mr. Young
Mr. Cochran
Mr. Thompson
Mr. Bell
Mr. Schwarz
Mrs Klotz

October 10, 1940
9:30 a.m.

H.M.Jr: They ought to get a good chef up at the Supreme Court. I had lunch there for the first time and it was the worst meal in Washington, unbelievably bad. I had a crisp, burnt piece of meat that was supposed to be veal.

Klotz: Looked like liver.

H.M.Jr: Yes, and it tasted like eel.

When we went over to Mr. Hull the other day, you could have knocked me over with a feather, when Mr. Feis, I think, mentioned the fact that we hadn't been getting the proper reporting on Japan's money.

Cochran: Well, Japan - this bank up in New York hadn't made exactly the right report to the state bank people.

H.M.Jr: State bank?

Cochran: It is not a bank that comes under the regular inspection service, but we had gotten the Federal to get the State Bank Inspector to go in there and they have found out after some time what they do hold.

H.M.Jr: Did we miss by a hundred million?
Cochran: No. I mean, there was a hundred and - about seventy million dollars worth of Government bonds in that strong box. We had knowledge that there were some securities in there.

H.M.Jr: What bank was it?

Cochran: That is that Yokohama bank in New York.

H.M.Jr: How did Feis know about it?

Cochran: I don't know.

H.M.Jr: That is what surprised me.

Bell: Was there anything on Harry's table that he sent to Feis?

Cochran: I didn't see the table.

Bell: I didn't either. We sent over a letter asking what we should do about Rumania and they sent back and asked for a lot of figures on all those countries and they may have asked for some figures on Japan and Harry may have given them the figures in the statistics he sent. He did send them something.

H.M.Jr: I see. Now, what about Rumania?

Bell: Well, we are all ready to go. Have you heard from Mr. Hull?

H.M.Jr: No. Welles said he would let me know. Do you think I had better go after Mr. Hull? Welles said he would.

Bell: Well, Berle promised us a letter today signed by Mr. Hull.

Foley: It is the six months anniversary.
H.M.Jr: Whose?

Foley: Setting up this exchange control. Every tenth of October and tenth of May.

H.M.Jr: You used an expression which was new to me last night. They had a test order.

Cochran: No, that is in the cablegram. You see, the central banks have one code group which is the test group to show this comes from that area, and so Cameron was expecting a message back this morning and if it is, it should go ahead unless we tell them different. But we have told them to hold that transaction up.

Foley: I don't know whether anybody has shown you that or not. That is the document on the freezing control that was gotten up for the convenience of people, Executive Orders and forms.

H.M.Jr: No. Who gets all that?

Foley: All the banks and people who want to make applications.

H.M.Jr: Now, for instance, do you give these to the various business services in Washington?

Schwarz: Yes.

H.M.Jr: Kiplinger and the others?

Schwarz: Eaton and the others.

H.M.Jr: You do?

Schwarz: Yes, sir.
H.M. Jr: That is very nice.

There are two things that I have done this morning. In order to keep you fellows up to date, I had Patterson pick me up and I asked him whether he still had any objection to our trying to do a job on Lockheed and Douglas, and he said no, he did not. He was perfectly willing. So I said I would try to have them send a crowd out there, and then Forrestal called me and I told him now, would either he or Knox bring that up tomorrow, that we send a crowd out there, you see, to try to do a job on them.

(Telephone conversation with Secretary Hull follows:)
October 10, 1940
9:39 a.m.

H.M.Jr: Hello.

Operator: Secretary Hull has Secretary Wallace with him. Would you rather wait?

H.M.Jr: No, I'd just like to talk to him a minute if I could.

Operator: Right.

9:40 a.m.

H.M.Jr: Hello.

Cordell Hull: Hello.

H.M.Jr: Cordell, I called up last night. Berle sent over word that the State Department wanted us to approve - or just what ......

H: On that Balkan thing?


H: Yes, I mean the Rumanian thing.

H.M.Jr: But I didn't want to do it unless I heard from you direct.

H: Yes. Well, I tell you what I'd do - I was informed that the German troops had marched into the capital there yesterday and that they are occupying it and just to check on this morning's news on it, if I could look at the official dispatches and then call you back - I was in favor of it so far as a rough conclusion is concerned and I said so. There's about $5 million isn't there?
H.M. Jr: Well, no, it's the whole thing.
H: Oh, yes, the whole thing.
H.M. Jr: Freeze all their assets.
H: Yes. It looks like the Germans are going in there and then they're going on to Africa around that way.
H.M. Jr: Could you let me know between now and 12 o'clock?
H: Yes, sir.
H.M. Jr: Thank you so much.
H: Thank you.
H.M.Jr: Well, Forrestal says he is going to town today on this housing business. He also said that Knudsen is sending George Mead out to do a job on the production on Lockheed — pardon me, on Consolidated, and the thing — everybody saw that message yesterday, but I didn't. I didn't know what the thing they were passing around was, but I gather —

Foley: You mean the conversation that Towers had with —

H.M.Jr: What was that?

Foley: With Fleet. Well, Fleet submitted a very conditional bid. It had an escalator clause.

H.M.Jr: A bid on what?

Foley: A bid on 200 additional long-range bombers, flying boats.

H.M.Jr: Yes.

Foley: He had an escalator clause in there and the fee was not based on any figure, because you couldn't tell what the cost of the planes was going to be. It all depended upon what the labor market was and whether prices advanced, and all that sort of stuff, so it was just an open-end bid. They rejected it and they told him that they would take it for so much a plane and he refused and he as much as told the Navy to go to hell. He said he was going to go hunting over this week-end, he wouldn't be available, he wouldn't send anybody to Washington, there wouldn't be anybody there to talk with the Navy, and when he got back from his hunting trip on the 15th or 16th of October, he didn't know whether he would talk to them or not.
That is what burned Patterson and Jim Forrestal up.

H.M.Jr: Evidently he piped down last night and he has taken the contract. I didn't know about it.

Here they are talking about not doing anything more for Consolidated, and last night they give them an order for another 200 planes. What are 200 planes worth, $100,000 apiece?

Foley: These are more than that. These are the big things that run up around $250,000.

H.M.Jr: That is 50 million dollars.

Foley: Yes.

H.M.Jr: Here they sit and in one breath they won't build them any houses, and last night, they okayed that 50 million dollar contract for Consolidated. It is just crazy, you know, just crazy.

Foley: I gathered it was more Stimson that said he didn't want to do any of these things than it was the Navy. I think there was an appreciation on the part of the Navy that these things have to be done. After all, the City belongs to the Navy. Forrestal was all right. Forrestal came around to me and said, "Get this thing dragged out into a subcommittee and you and I will go to town on it and we will put it through."

H.M.Jr: But Stimson said yesterday he wouldn't do anything until he knew more about it, and last night they signed a contract for 50 million dollars.

Foley: Well, that is the Navy.
H.M.Jr: Of course, what Patterson said, they ought to separate these companies entirely. They can have one and the Navy can have the other.

Foley: That is right. Stimson simply was exorcised about that report to build up San Diego.

H.M.Jr: Who was?

Foley: Stimson.

H.M.Jr: I was thinking of taking an afternoon off and going over to see Glenn Martin this afternoon. Do you think I ought to tell Knudsen that I am going?

Foley: Yes.

H.M.Jr: Do you think so?

Foley: It wouldn't do any harm.

H.M.Jr: I thought I might take Purvis with me.

Thompson: Mr. Pehle has recommended a promotion for Norman Towson, one of his best men.

H.M.Jr: That is the Army Intelligence fellow?

Pehle: Yes, sir.

Thompson: He is from the Washington Loan & Trust Company, I believe. He is a very good man.

Thompson: Here is a memorandum I have just prepared for your information.

H.M.Jr: How much did Congress give us to run that show?

Thompson: They gave us $700,000. We will be short
of money by January or February at the latest. We asked for a million and they gave us $700,000. We will have to submit a deficiency.

H.M.Jr: Would you and Foley put your heads together on this letter, and whatever you do, something or nothing, let me see it. I don't care, but whatever you two fellows decide. Do nothing or something on it.

Thompson: All right.

H.M.Jr: Now, did you (Bell) freeze that Rumanian stuff? That is all frozen?

Bell: Yes, that is in New York. They won't do anything until they hear from Merle.

Cochran: We hadn't taken it up with any banks other than the Federal, had we?

Bell: No.

H.M.Jr: Do you know whether anything is going on in the Japanese funds to excite any interest one way or the other?

Cochran: Last week's report, which we got on Thursday, last Thursday, didn't show much movement at all.

H.M.Jr: George?

Haas: I have got the September figures on the aircraft.

H.M.Jr: Oh.

Haas: That is ten days late, but those figures are really a scoop.
I tell you what I want you to do, fix it up with a map the way you did the other one, you see, and send that map over again to Steve Early. He liked it. He told me yesterday. You know how you fixed it up.

Yes. Do you want me to send it over there?

Mrs. Klotz.

May I mention, before you speak with Mr. Harrison, Mr. Secretary, that I had asked Cameron there to keep us informed, and he has telephoned me once or twice in the last few days and then they gave us the weekly statement on Japanese balances.

And I haven't talked to George in so long, it will give him something to do. What else?

That is all.

I have nothing.

Mr. Dewar of the British Purchasing Commission has invited people from Defense and the Army and myself and Buckley to a "tank party" with cocktails, at the Carlton this evening. Evidently none of the British are invited.

Say it again.

I say, Mr. Dewar of the British Purchasing Commission is having a tank party.

Who is invited?

Buckley and me and Defense and War Department, representatives that have been working on this tank program, and none of the British seem to be invited except for one or two outside of that picture.
H.M.Jr: What time?
Young: Oh, I think from six to eight. It is a cocktail party tonight.
H.M.Jr: What is a "tank" cocktail?
Young: I don't know. It did arouse my curiosity.
H.M.Jr: Call me up when you get home and I will --
Klotz: And he will tell you.
H.M.Jr: Yes, I will tell you. That is very amusing. What are you celebrating?
Bell: They got one tank, I saw in this morning's paper.
Young: Probably getting some of these contracts signed. The Baldwin contract is now being signed gradually. It is just due to mechanical delay. The thing is all set on the assembly. Is there any objection to our going or not?
H.M.Jr: Are you serious?
Young: Sure.
H.M.Jr: Why? Why shouldn't you go?
Young: I have always been suspicious of tanks.
H.M.Jr: Well, I don't know --
Foley: You can find out whether you are a tank or not, Phil.
Young: Do you think I will come out with a caterpillar tread?
Listen, I have to settle a lot of questions. You settle that one. I refuse to get in on that sort of internal plumbing. How do I know what you can take?

What else?

What is your reaction to the issuance of a commemorative stamp for the opening of the National Gallery of Art, getting away from tanks?

Well, I will tell you how I feel on all stamps, I am against any more issues for the rest of the year. I don't think it is personally, if it was up to me, I would say no.

I gather that most of the trustees think it is sort of a cute idea.

Well, I don't think it is cute enough. If you are asking me, I would say no. They can get away with it, but put me down as no. What else?

That is all.

I have a story here from last night's New York Post which you wouldn't have seen, probably, on the Japanese machine tools.

"Morgenthau Carries Japanese,"

I think they got the germ of that out of the Kintner and Alsop story.

Who is Richard Stokes?

He is from the St. Louis Post Dispatch.
H.M.Jr: What a fellow! Ickes called me up and wants to know if that boat is still on the beach, and couldn't I put another bomb in her.

Cochran: Lacour-Gayet telephoned last night and wanted to come by and see Dan and me before he comes in to see you. I haven't seen him.

H.M.Jr: What is he doing over here?

Cochran: They sent him over to finish up this Purchasing Commission's work, and supposedly to instruct Alphand and also the Ambassador as to the proper attitude to pursue in this country, so I think he is needed.

H.M.Jr: Yes, very much so. What else?

Bell: You are seeing him, are you?

H.M.Jr: Yes, you can come.

Bell: No, I don't want to come. I just wanted to know before I saw him.

H.M.Jr: Well, he is here at 11:00.

Bell: They called up through the National City in New York as to what he should do, and I told him he should go through the State Department first.

H.M.Jr: Why don't you come in at 11:00?

Bell: If you want me to. I have got to see him anyway.

H.M.Jr: Come up at 11:00. You and Merle will be here. What else.

If Ed and Philip Young could stay behind, please.
October 10, 1940
9:55 a.m.

H.M.Jr: Hello.
Operator: Knudsen.
H.M.Jr: Hello, Henry talking.
Mr. B. Knudsen: Yes.
H.M.Jr: How are you?
K: Fine, thank you. How are you?
H.M.Jr: Bill, it's a lovely afternoon and I thought I might want to take a little flight over to Glenn Martin. I haven't been there in six months. Are you busy?
K: I guess I will be this afternoon. I could do it tomorrow.
H.M.Jr: Tomorrow. I see. When could you go tomorrow?
K: In the morning.
H.M.Jr: We have that meeting tomorrow morning.
K: That's right, but right after that's over.
H.M.Jr: After that.
K: Yeah.
H.M.Jr: Well, let me look at my calendar ..... 
K: You have 9 o'clock haven't you?
H.M.Jr: No, they've made it 10:30.
K: I see.
H.M.Jr: I tell you what we could do - I could leave right after lunch.
K: Fine.
H.M.Jr: If the President - I don't think the President's going to be here tomorrow.
K: No.

H.M.Jr: If he's not here there's no Cabinet.

K: That's right.

H.M.Jr: I could leave right after lunch and then I can go from there and go on up home. Supposing we set it tentatively, say, to leave here around what time - quarter of two?

K: Sure. Fine.

H.M.Jr: How would that be?

K: Yeah. Have you got the plane or do you want my plane.

H.M.Jr: Well, I have a plane to take us that far but would you have a plane to bring you back?

K: Yeah, I'll have to have that. Yeah.

H.M.Jr: Can you arrange that?

K: Yeah.

H.M.Jr: Well, we could go over together in my plane if you have somebody to bring you back.

K: Yes, sir.

H.M.Jr: Well, let's fix it that way tentatively for two.

K: All right.

H.M.Jr: Thank you.

K: Good-bye.
October 10, 1940
10:06 a.m.

H.M. Jr: Hello.
Operator: Mr. Vaughn.
H.M. Jr: Hello.
Guy Vaughn: Hello.
H.M. Jr: How are you?
V: Well, pretty good. How are you?
H.M. Jr: Fine. You're really doing something up at Buffalo, aren't you?
V: Well, I tell you, we're getting a little better all the time which - we've got to do that or get worse; we never stand still. We're getting more engines, thank God.
H.M. Jr: Yeah. Let me ask you a question.
V: Yes.
H.M. Jr: I was talking with our English friends about dive bombers. Are you making any for them?
V: No. We're developing a dive bomber which will fly in about, oh, under thirty days for the Navy and it's an experimental type. Now the only dive bomber we had was the FBO-4 which, I think you'll remember, we shipped 52 of them - released 52 and we're building 52 more to replace them.
H.M. Jr: For the Navy.
V: That's for the Navy.
H.M. Jr: But a new dive bomber will be ready to fly how soon?
V: Well, that's the experimental model - inside of thirty days.
H.M. Jr: What do you call that one?
V: Well, that's a 2600 - I forget the designation - it's an X designation and it's got a 2600 Wright engine in it and it's a much larger dive bomber than the FBC-4, which is a bi-plane. In other words, it's about the last word in dive bombing we think.

H.M. Jr: Well, the 2600 - how much horse is that?

V: That's 1700 h.p. take-off.

H.M. Jr: 1700.

V: Yes.

H.M. Jr: Well, now a plane like this - have you an order for this from the Navy?

V: I think we have an experimental contract.

H.M. Jr: For how many?

V: Oh, just the one.

H.M. Jr: Just the one!

V: That's all.

H.M. Jr: My God!

V: You see it's a broader type job and it's for production in 1941 - late 1941 - if it's as good as we think it is.

H.M. Jr: Well, let me ask you this. If you got an order, when could you begin to deliver this stuff?

V: Well, I'd have to look into that for you because we've got a pretty tight schedule on the Buffalo plant as it is. Well, now, you know we have the present dive bomber; that is, the FBC-4 similar to the ones that were released to I think it was England - yes - or France - I guess it was England. You remember that.

H.M. Jr: Yes.

V: Well, that dive bomber - the material is in production for 52 more of them. Now, of course, those belong to the Navy.
H.M.Jr: Now, just a second. I've got Curtiss here - just a minute.

V: Just a minute and I'll give you the status of those things too. (Talks aside).

H.M.Jr: Hello. Well, I don't - you've got according to my sheet - I don't see any Navy bombers at your Buffalo plant - Curtiss Wright.

V: I'm getting that production report for you. There's 52 of them - material in production. I know that. Now just what the delivery of the first one is I'd have to look at the report again.

H.M.Jr: Well, darned if I can see it on my sheet.

V: Well, it's in the cards.

H.M.Jr: What?

V: It's in the cards.

H.M.Jr: Is it on order for the Navy or the Army?

V: It's a replacement order for the Navy and the designation is FBC-4.

H.M.Jr: FBC-4. I have it under the Army - scout bombers 60.

V: It's a scout bomber for the carriers.

H.M.Jr: Yeah, 60.

V: Well, there may be 60 but there's 52 to replace. I can give you that in a second - the designation number.


V: That's right.

H.M.Jr: Now, you're tooled up for that?

V: Oh, yes, tooled up for it and we could probably be producing those in not under four months and probably four and a half months.
H.M.Jr: Well, how long will it take you to go to the new one?

V: Well, that would depend - you see that is an experimental airplane all the way through. It's a brand-new airplane and my guess would be 12 months and that's assuming it's a pretty good airplane at the start.

H.M.Jr: I see.

V: Now the designation of that is X.

H.M.Jr: Just X.

V: XFB-2-C-1.

H.M.Jr: Now wait a minute. Do it slowly.

V: X is the last letter in the alphabet - X,Y,Z.

H.M.Jr: I've got it. I have it on my sheet.

V: XFB2-C-1.

H.M.Jr: Yeah. Well, look, Vaughn, supposing you do a little thinking and maybe you could call me back this afternoon. If you got an order from the English - what they want is a dive bomber, see - when could you give them some production on this FBC-4 or on this new one?

V: I'll call you back just as soon as I can get that information.

H.M.Jr: Will you?

V: Yes, sir.

H.M.Jr: I mean, what could you do - how big an order would you need to really give them something?

V: That's right. I'll give you the whole dope. And now on this order for 50 airplanes, design 77, Navy dive bomber FBC-4, it is on schedule. That means it's in production and the wing jig is being erected now; that is, they're not being made but they're just being set up in the shop, and we expect to complete that order of 50 airplanes in March '41.
the same number.

Then, Well, they're just about the

same place that you are, you've got about

That's right.

then, Well, they're just about exactly the

same place that you are on the border. Well,

Just a moment. (Pause.) Well, they're just

Just a second - let me look at my sheet.

Well, just a second - let me look at my sheet.

They're there on the border. I don't know whether

There's no border. There won't be any great danger

They can do. There won't be any great danger

That's right. I mean, to say you've got a good one.

The wonderful company. Yes.

The wonderful company.

I hate to hurt you. They've got a good one.

Well, I mean, to say that the wonderful company

How about the wonderful company?

There's nothing better that we know of.

The Navy have need of us for two years, and

And the combat teams, the 200-1D bomb

Is the first 500-1D. Of one 1,000-1D. Bomb

Is that a pretty good bomb?

I don't see why not. Ex.

I got you. You mean, you could go right along

I'm sure to the thing in which it now.

We could go right along on it if we had some.

I see. Well, you mean, you could go there.

I see. Well, you mean, you could go right.
V: Well, I think we could probably then deliver you some airplanes before they could.

H.M. Jr: You think so.

V: Yes, sir. I think we're quicker than they are.

H.M. Jr: Well, does Vultee have any on order for the Navy?

V: I don't think so.

H.M. Jr: Let's take a look. Wait a minute.

V: I don't know of any.

H.M. Jr: Just a minute. I'm paying for this call so it's all right.

V: Yes, sir.

H.M. Jr: You don't have to take it off your excess-profits tax.

V: (Laughs).

H.M. Jr: Just a minute. No, they have no order for the Army.

V: I didn't think so, no.

H.M. Jr: Well, then it gets down to both of you are about the same size and your delivery schedules are about the same place.

V: Well, I think we can beat - whatever they can do, we can do better.

H.M. Jr: (Laughs). All right.

V: Guarantee it.

H.M. Jr: Think it over.

V: All right. I'll get ahold of Burdette right away on the telephone and get that information.

H.M. Jr: O.K. Thank you.

V: All right, sir. Good-bye.
Present:
Mr. LaCour-Gayet
Mr. Bell
Mr. Cochran

Mr. LaCour-Gayet: I had the pleasure of seeing you at the Bank of France when you came over. I was at the Bank of France.

HM, Jr: That was a long time ago. Let's see, what year it was.

Mr. LaCour-Gayet: It was a few years ago.

Mr. Cochran: 1934 or 1935.

Mr. LaCour-Gayet: When I left America it was. In 1930, I was financial attache from 1924 to 1930, and when I left I went to the Bank of France at the time and when did you come over? It was in 1934.

HM, Jr: 1934 I think. We went down to Spain and came through.

Mr. LaCour-Gayet: Yes.

Well, Mr. Secretary, I want you to know exactly the reasons of my presence over here. As I was saying, I have been in this country six years, from 1924 to 1930, as Financial Attache to our Embassy, at the time of the debt......

Mr. Bell: We settled the debt.

Mr. LaCour-Gayet: We did our best.

Mr. Bell: We did our best.
I was not in France when this tragedy happened in June, because I had been sent by Mons. Paul Reynaud to Turkey and the Balkans. So in May and June I was in Turkey on a financial mission and I could not get back to France until the middle of August and when I arrived the middle of August, a few days later they thought it might be useful for them to send me over to the United States for several reasons.

First one is that of course, as you know, there are certain difficulties we have due to certain circumstances. We have not a Commercial Attaché just now so they thought it might be useful for the new Ambassador and for your Government, too, to have here at your disposal somebody who, after all, knows, if I may say so, knows a little about your country. So they asked me to come over and to remain in the United States temporarily. I expect to be here six weeks, two months, I don't know, to supervise all the commercial and financial problems which might arise between our two countries. And also one part of my job, which is rather important, is to try to liquidate as soon as quickly, our commission in New York. As you know, we had an important commission in New York. I think it is in the interest of both countries that it should gradually disappear as quickly as can be done. And, third, of course my mission, rather naturally, I don't come here for any definite purpose at all, just come here to be at your disposal to answer any questions you would like to ask me about any situation in France and at the same time when I go back to France, perhaps in the not long future, not too distant future, to give you a mental picture as complete as possible and your own point of view. So you see, my mission is very general. It is an informal mission and I would be very glad if I could answer any questions you would care to ask me about conditions in France now and some other problems.

Mr. Lacour-Gayet: At least we did our best.

Well, I think, in order to -- there is this thing, the President seems sort of mixed up. I think all the questions, all that sort of thing, I think I am going to let the State Department ask them and as far as I am concerned right now there really isn't anything I would
want to ask. It, on the other hand, something should come up, I would be very glad to make use of your services, but right now I really would not know what to ask because your Ambassador was here last week, and this week he saw Mr. Welles.

Mr. Lacour-Gayet: He saw him again yesterday, I believe.

HM, Jr.: And Mr. Welles keeps me informed and I think until these very serious matters that your Ambassador is discussing with the State Department are straightened out I think I would rather stay in the background.

Mr. Lacour-Gayet: Very good.

HM, Jr.: But I appreciate very much your coming in and if there are times either Mr. Bell or Mr. Cochran or I do want something, we will make use of your services.

Mr. Lacour-Gayet: It would be quite a pleasure for me to give you any information which you would like to have. So as I repeat, I expect to stay two months. It's very difficult to make any definite plans under present conditions which move so quickly.

HM, Jr.: All right, sir. Thank you for coming in.

Mr. Lacour-Gayet: Good-bye.

HM, Jr.: Good-bye.
H.M.Jr: Hello
Operator: Mr. Morgenthau?
H.M.Jr: Talking
O: Go ahead.
Guy Vaughn: Hello
H.M.Jr: Hello
V: Good morning or good day rather. I just heard from Buffalo on this dive bomber thing.
H.M.Jr: Oh yes.
V: Now on the excess B2-C-1 production November-December '41 and that puts that pretty much out of the picture.
H.M.Jr: Oh that's the.......
V: That's that experimental dive bomber and that's with the proviso that everything goes along in pretty good shape.
H.M.Jr: No production until when?
V: November-December '41.
H.M.Jr: Well that's out.
V: That's out. Now on the SBC-4 - as far as the deliveries to the British go - our deliveries to the United States Navy are January 6; February 20; March 24.
H.M.Jr: Yes.
V: Now if the British want to order immediately we can give them in April 30.
H.M.Jr: Wait a minute - I'm writing it down.
V: (Laughs)
H.M.Jr: U. K. in April .......

V: April - 30.

V: May 30; June 30 and so on.

V: Now here's what we have to offer - if you're ready to take a little down. Ah - those SBC-4's carry one 1,000 pound bomb or one 500 and two 116 pound - one of each weight. Now if they don't want to order those - in four months we could give them one and a half airplanes for every one of the SBC-4 in pursuit which would carry one 500 pound bomb, provided the Navy will release the displacement gear.

H.M.Jr: I see.

V: That is a secret thing, you see?

H.M.Jr: I see.

V: Now if that's so we can substitute one and a half airplanes for every one of the SBC-4.

H.M.Jr: Now you're a little bit beyond me - ah.....

V: Now if you take your schedule 30 - would make 45.

H.M.Jr: In April.

V: In April which would give them 45 of those.

H.M.Jr: If what happened?

V: If the Navy will release the displacement gear.

H.M.Jr: Displacement gear.

V: That's correct.

H.M.Jr: Now why can you give them more?

V: Because we are tooled up on the SBC-4 for 1956, 7 and 8 production which is not a modern tooling setup.....

H.M.Jr: I see.

V: ....as compared with the P-40 - the pursuit.

H.M.Jr: I see.
V: We’ve got a modern job and with the same number of men and same space of floor we’re tooled up so we can turn out 50% more airplanes.

H.M.Jr: Now but the displacement gear would have to be released by the Navy?

V: Correct.

H.M.Jr: What is a displacement gear?

V: Now its a design of gears - they know what it is - that has not been released - its complicated but it has not been released for foreign shipment but I'm - I feel that they should release that should the British decide that they want the pursuits in place of the dive bombers.

H.M.Jr: If they want the pursuit.

V: Yes in place of the dive bombers. The pursuit is rigged up for one 500 pound bomb and two 116 pound.

H.M.Jr: What pursuit ship is that?

V: That's the P-40.

H.M.Jr: Yes - now wait a minute - you're talking about something you know inside out and I don't. I thought we were talking about the SBC-4.

V: Alright, we were until I said that if they would take the pursuit we could give them the pursuit in four months that would carry one 500 pound bomb and two 116 pound bombs - wait a minute - one 500 pound bomb - not two 116 - thats the SBC-4. Now let me straighten you out on the SBC-4 and then I'll go back to pursuits.

H.M.Jr: Let me see if I can repeat it.

V: All right.

H.M.Jr: You're prepared to give - to begin to give them 30 a month, beginning with April, of the SBC-4's.

V: That's correct.
H.M.Jr: Now you could give them another 15 on the P 40s?
V: No - ah - you have the specifications on the SBC-4 that carry a 1,000 pound bomb?
H.M.Jr: Yes.
V: Or one 500 and two 116.
H.M.Jr: Yes.
V: All right, now that finishes the SBC-4.
H.M.Jr: Right.
V: Now if they want to substitute in place of the SBC-4 we can give them 45 a month or one and a half airplanes for every one of the SBC-4's that will carry one 500 pound bomb and that with the proviso that the Navy will release their displacement gear.
H.M.Jr: I get you. I've got it now and that would not interfere with the present production of the P-40s.
V: That's correct.
H.M.Jr: I see - I've got it.
V: This will not interfere with any production because they couldn't afford to do it.
H.M.Jr: I see. In other words, you could make 45.
V: 45 a month beginning in April.
H.M.Jr: Of the P-40s if the Navy would release this displacement gear.
V: That's correct.
H.M.Jr: I've got it.
V: In fact I think we could beat their delivery a little bit - we'd probably get them in four months.
H.M.Jr: I've got it.
V: But it would be a tight squeeze.
H.M.Jr: Well now just one thing - ah - for the P 40 you'd have to have the Allison engine, wouldn't you?
V: Oh yes.
H.M.Jr: And on the SBC-4 you have a Curtiss Engine.
V: Cyclone engine.
H.M.Jr: Well that comes in the picture too.
V: Yes, but Allison recently have been giving us 11 a day.
H.M.Jr: Well but they're going to - how long are they going to continue that?
V: Well that I couldn't tell you - I don't know the situation out there - wish I did but.....
H.M.Jr: Well this gives me something to shoot at.
V: .....they've done a real job in the last four months since Sloane got into the picture.
H.M.Jr: Right - you're right. Well thank you, I'm going to take this up with Knox this afternoon.
V: Alright, well now wait - there's a little more information I have to give you because I want to get it pretty complete.
V: Ah - beginning four months from now we could deliver the pursuit ship as they get it with one 115 pound bomb in each one of the wings - that is their own pursuits that they're going to get anyway could be rigged up that way if what we had in mind as a possibility of their wanting to go out over the channel and drop small bombs on small ships or small barges or whatever might come over.
H.M.Jr: I see.
V: Its just for their information.
H.M.Jr: I see. Well thank you so much.
V: Now on pursuit production - just one more item - on pursuit production its 6 per day right now and on December 1st it will go to 8 a day and that I thought you'd like to know.

H.M.Jr: You're making 6 a day.

V: 6 per day come off the assembly line right now.

H.M.Jr: And on December 1st?

V: On December 1st we start making 8 a day off the assembly line.

H.M.Jr: Wonderful.

V: Ah - that's not bad.

H.M.Jr: I say it's damn good.

V: I think I can get aluminum from the Aluminum Company. They're quoting 20 weeks delivery which is terrible - on any new orders but I think we can fix that - possibly have to come to you for some help on it.

H.M.Jr: Well we'll help you.

V: O.K., well then I'm not worried about that one.

H.M.Jr: Thank you.

V: Thank you very much.
October 10, 1940
12:12 p.m.

H.M. Jr: Hello.
Operator: McReynolds.
H.M. Jr: Hello.
Wm. H. McReynolds: Good morning, sir.
H.M. Jr: Mac, how's the big professor?
McR: No. I'm still dragging around. How are you feeling?
H.M. Jr: I'm fine.
McR: Well, that's good.
H.M. Jr: What's your personal private worry?
McR: Well, I have - it wasn't a worry, but when I called you I had in here Charles Day who just got back from China. He's been building airplanes and airplane factories for the Chinese over there - working for China for the last six years. He's lived out along the edge of the Burma Road with the Chinamen. He was tremendously interesting.....
H.M. Jr: Oh, yeah.
McR: ..... from intimate knowledge of just what's happening in China - I thought you might like to talk to him.
H.M. Jr: I'd love to talk to him.
McR: Well, he's gone now but I can reach him and he said if you care to devote the time to it of course he'd be delighted to come and see you.
H.M. Jr: Well, if you can get him in here at 3:30, I'd like to see him very much.
McR: I'm sure I can.
H.M.Jr: O. K., Mac.
MoR: I'll have him come over.
H.M.Jr: Take care of yourself.
MoR: He's really a very delightful person and he's got the intimate knowledge - he lived with the fellows - he lived with all kinds of Chinamen. He lived on the - he was bombed out, his factories were bombed out I think he said six different times.
H.M.Jr: Did he bring home any little Chinamen?
MoR: (Laughs). No, he didn't bring home any little ones I don't think, but he's got a touch and an intimate current knowledge of Chinese situation and I thought you'd like to talk to him.
H.M.Jr: I would, Mac.
MoR: 3:30.
H.M.Jr: Thank you.
MoR: O. K.
Mr. Charles H. Day (99 Main Street, Dansville, N.Y.)

Educated at Rensselaer Polytechnic (not a graduate).

Built his first aeroplane engine and flew it in 1910.

1910-1914--Manufactured aeroplanes in Los Angeles under name of Day Tractor Aeroplanes. During part of this time was Chief Engineer of Glenn Martin Co.

1914--Joined Sloane Aeroplane Co. which afterwards became Standard Aircraft Corporation, and was second largest aeroplane manufacturing corporation in the United States during the World War. Was Vice President of that Company between 1914 and 1919.

1919-1927--In consulting engineering work in New York.

Two years of this time was Chief Engineer of Electron Metals Corp developing magnesium alloys. Also during this six-year period designed and built three different models of aeroplanes.

1927-1930--Vice President and Chief Engineer of New Standard Aircraft Corporation of Patterson, New Jersey.

1931--Designed and built experimental aeroplane for private flying with which he toured around the world studying private flying.
1931-1934—Consulting aeronautical engineering in New York City.

1934-1940—Advisor to Commission on Aeronautical Affairs to Chinese Government and manager of Shiu-chow Aircraft Works, North Kwangtung Province and of the first aircraft manufacturing works Kunming, Yunnan Province, China.
TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE October 10, 1940

TO Secretary Morgenthau

FROM Mr. Pehle

I talked to Hall Roosevelt today with respect to the diamond matter in which he is interested. An application had previously been filed to make available in Holland 10,000 free dollars to pay for the polishing in Holland of certain diamonds owned by Harry Winston, Inc. of New York. This application was discussed with the Committee and denied.

Mr. Roosevelt explained that the Harry Winston company presently has in Holland large guilder balances. He indicated that he was working with the State Department on several projects which would involve getting the diamonds out of Holland and also getting skilled workmen out of Holland who could cut and polish the diamonds. I told Mr. Roosevelt that the matter of getting the diamonds out of Holland and also obtaining permits for the workmen to leave Holland was not a matter which concerned this office, but that if it was desired to pay out the guilders which the Harry Winston concern has in Europe, an application should be filed therefor through the Federal Reserve Bank of New York, indicating in detail the purpose for which such payments were to be made.

Mr. Roosevelt explained that his interest in the project arose from the fact that he was contemplating designing and perfecting an "electric eye" machine which would do some of the polishing and other work now done by hand.
October 10, 1940.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

Sumner Welles called me at 4:30 to say that he had talked to the President about the French ships at New Orleans and that the President is entirely in accord with permitting the four ships to go since that is the wish of the British Government. I immediately instructed the Office of Merchant Ship Control to issue departure permits for the three ships for which they had been asked, that is, the OREGON, MICHIGAN and WINNIPEG.

Welles said that the President added that he had noted that some ships carrying shipments of machine tools for Japan were being held on the Pacific Coast although the shipments were not embargoed. He wished, in view of the present situation with Japan, that we would not give them added cause for excitement and would keep everything on a normal basis. I don't know of any situation such as that to which the President refers, but will look into it.
October 10, 1940.

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

Harry Durning called me late today to tell me that John Gammie, formerly United States Director of the Cunard Line and now with the British Purchasing Commission, had told him confidentially that the QUEEN ELIZABETH will sail soon — it may be within a week. There have been indications noted by the newspapers in the last few days that preparations were being made. Also, Berger, General Manager of the Norwegian Lines, told him that the OSLOFJORD and the BERGENSFJORD would sail soon.
(Handed by Mr. Pinson of the British Embassy to Mr. Cochran in the Treasury at 3:15 p.m., October 10, 1940.)

UNITED KINGDOM

HOLDINGS OF GOLD AND EXCHANGE

There have been some discrepancies in the figures received regarding our holding of gold and dollars, and regarding the monthly drain. I have now received the following corrected statement from London, starting with 1st July 1940 (the date of the tables handed in by Sir Frederick Phillips during his visit here).

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<td>Balance of gold and exchange at beginning of month</td>
<td>1572</td>
<td>1293</td>
<td>1062</td>
<td>897</td>
</tr>
<tr>
<td>Loss of gold and of U.S. and Canadian dollars</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Write-off of French francs etc.</td>
<td>235</td>
<td>231</td>
<td>165</td>
<td>---</td>
</tr>
<tr>
<td>Balance of gold and exchange at end of month</td>
<td>1293</td>
<td>1062</td>
<td>897</td>
<td>---</td>
</tr>
</tbody>
</table>

Resources utilised.

| Gold, and U.S. and Canadian dollars (as above) | 235 | 231 | 165 |
| Proceeds of sale of securities | 7 | 4 | * |

242 235

(* Figure not yet reported. It should be about $7 million, giving a total of $172 million).

In future the monthly loss of gold and exchange reported will represent gold, and United States and Canadian dollars, only.

BRITISH EMBASSY, (Initialled) G.H.S.P.
7th October 1940.
STERLING AREA
NEWLY-MINED GOLD.

In the memorandum given by Sir Frederick Phillips on July 17th to the Secretary of the Treasury, and later to the President, the value of the gold production of the sterling area was given as:

$ million
sent direct to U.S.A. 80
sent to United Kingdom 400

480

This figure was compared with the Federal Reserve Board's figure of $578 million for the sterling area production in 1939, and Sir Frederick Phillips promised to clear the matter up.

A revised estimate for the production in the second year of the war has just been received from His Majesty's Treasury. This is:

$ million
Australasian production sent direct to U.S.A. 74
Gold purchased by Exchange Equalization Account 480

554

This may possibly be still an underestimate as production is rising. But the Exchange Equalization Account's purchases in the first year of the war were $448 million only. Further we cannot be certain that India or South Africa might not insist

Regraded Unclassified
insist on making some increase in their gold reserves, though we hope this is unlikely. (India's gold reserve has not been increased since the war began, but South Africa's has been increased by about $30 million).

BRITISH EMBASSY,
7th October 1940.
Secretary of State,
Washington.

3364, Tenth.

FOR TREASURY FROM BUTTERWORTH.

The Bank of England has today blocked Rumanian balances in the United Kingdom and similar action is to be taken in the Empire. Since a clearing and payments agreement has been in force between Great Britain and Rumania for some time most Rumanian funds are already under that control. In fact, this action is not so much dictated by practical as by political considerations as the readiest means of overt British retaliation. However, the embargo will no doubt affect some funds of the Rumanian National Bank, pre-clearing balances and a few "black" balances of Rumanian individuals.

KENNEDY

ALC
The question of aluminum supply is one of the jams in the Consolidated picture. I am sending a copy of this to Ed Stettinius.

JVF

Mr. Forrestal.
7 October 1940

FROM: JAMES FORRESTAL

TO: COMMANDER PENNOYER

Have you a memorandum to check on aluminum supply for Consolidated or do you want me to?

I am addressing a memo to the Navy Member of the Priorities Committee of the Army and Navy Munitions Board, Room 2010, Munitions Building, requesting that this and also the urgent need for expediting Brewster's production of PBY-5 wings be investigated.
October 10, 1940

Dear Jim:

Thanks for your note on aluminum supplies for Consolidated. I talked to Guy Vaughn today, and he said that on any new orders the aluminum company holds them up for twenty weeks.

I am delighted that you are bringing this matter to Stettinius' attention.

Yours sincerely,

Henry

Honorable James V. Forrestal,
Under Secretary of the Navy,
Navy Department,
Washington, D.C.
October 10, 1940

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By Messenger
October 10, 1940

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Honorable James V. Forrestal,
Under Secretary of the Navy,
Navy Department,
Washington, D.C.

By Messenger
At the Staff Meeting this morning the Secretary talked by telephone with Secretary of State Hull and the latter agreed to give the Treasury Department before the State Department's views with respect to blocking Rumanian assets. Shortly after 1 o'clock today I asked Commander McKay to learn whether the Secretary had received any further word from Mr. Hull. At 1:05 Commander McKay told me that Secretary Morgenthau had received no word and desired that I telephone Secretary Hull's office. Immediately after this call I received a call from Mr. Pinseit, Financial Counselor of the British Embassy. He asked for an early appointment this afternoon and fixed 3 o'clock. He said that he wanted to tell me in advance the subject of visit. He stated that his Embassy had received instructions from London that some understandings had been reached between Germany and Rumania on the question of credits, and that the British had decided to block Rumanian assets as of today. British hoped that we might take similar action. I did not then, and have not, mentioned to Pinseit the possibility of our taking such action.

When I reached Mr. Manchard in Secretary Hull's office at 1:10 he told me that the meeting had yet been held to discuss the question of blocking of Rumania. I raised the urgency of the need for a decision if we are to expect the Federal Reserve Bank at New York to stop the $4,000,000 transfer from Rumania to Argentina promised to call me back in just a few minutes. Shortly after 1:15 Manchard telephoned that Messrs. Atherton and Feis were with Secretary Hull, working on the draft of a letter to Secretary Morgenthau on this subject. Atherton then came to the phone. He told me that the Secretary of State was unable to the Treasury freezing the $4,000,000. In the meantime, he said that the Department would continue to look at this. If the settlement found that the situation does not warrant freezing, a change of policy may be made later. I told Mr. Atherton that we could not freeze the $4,000,000; that any freezing must be a general order; and that we did not desire to move in the matter was definitely decided. He stated definitely that we could go and freeze.

I left word with my office that if Mr. Cameron should call from New York the discussion was to be continued that no action on the $4,000,000 transfer should be made before consulting me. I did not try to reach the Secretary or the Under Secretary at luncheon. At 2:05 I found the Secretary engaged, and discussed the matter with Mr. Bell. From his office I telephoned Secretary Hull's office and spoke with Mr. Stone. At my request, the latter made a search and found that the letter was a subject which Secretary Hull had discussed with Messrs. Atherton and Feis was at Mr. Atherton's office. Stone arranged for this to be sent to him and promised to favor to obtain Secretary Hull's signature thereto before the latter goes to the House for a 3:15 meeting.
At 2:45 Mr. Cameron telephoned me from New York that a further message had been received from the National Bank of Rumania. They confirmed their cablegram of yesterday and stated that the "test" was correct. Cameron insisted, however, that the "test" was incorrect, and, furthermore, no "test" was contained in today's message. The Federal, consequently, cannot act upon instructions received to date and is requesting a further properly tested message from the National Bank of Rumania. I told Cameron that we were working on the Rumanian proposition and would certainly let him know definitely this afternoon of our action. I anticipated extending our control to Rumania. Earlier in the day, Cameron had told me that the Chase Bank had received a cablegram from the National Bank of Rumania correcting the "test" on the message which that bank had received yesterday from Rumania in regard to transferring the $4,000,000 under reference to the Central Bank of Argentina.

At 3:00 I gave the foregoing information orally to Secretary Morgenthau. He telephoned Mr. Bell to proceed with the freezing order as of 3:00 today. The Secretary understood that the letter had not yet been received from Mr. Hull but that Mr. Atherton had definitely told me to go ahead with the freezing, after I had emphasized to him that we either had to do it completely or not at all.

Mr. Pinesent called at 3:00 and handed to me the attached memoranda in regard to British action with respect to blocking Rumanian assets.

At 5:11 I received the letter from the Department of State approving the extension of the control to Rumania, a copy of which communication is attached. I immediately showed this letter to Under Secretary Bell and, with his approval, telephoned Mr. Cameron in the Federal Reserve Bank at New York, bringing him to date on developments. At 5:25 I let Mr. Pinesent know that we were extending the control to Rumania.
Message from London

Dated 10th October 1940

Bank of England are taking steps today officially to block Roumanian assets in this country. Please urge United States Government to take similar measures in regard to Roumanian assets in the United States.

(Initialed) G.H.S.P.

British Embassy,

October 10th, 1940.
Message sent on 9th October
from British Legation, Bucharest, to
London and Washington

It is reliably reported Germans are negotiating or have concluded arrangements with
Roumanian Government by which they will be able
to dispose of foreign exchange. What are your
views in particular the dollar assets Roumanian
National Bank?

(Initialed) G.H.S.P.
10th Oct. 1940

COPY
DEPARTMENT OF STATE
WASHINGTON

October 10, 1940

My dear Mr. Secretary:

Reference is had to the Treasury Department's letter of October 2, 1940 and to other correspondence concerning the applying of freezing control to Romanian assets in this country. As stated by telephone today, the Department of State believes that immediate application of such control would be in line with the policy that has been pursued in this field.

Sincerely yours,

(Signed) Cordell Hull

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.

(Copy)

emk
At 10:05 this morning I received a call by telephone from Dr. Somary, the Swiss economist. He stated that he had talked by telephone yesterday with Mr. Weber, President of the Swiss National Bank. Dr. Somary stated that, according to Weber, the rise in the Swiss franc will be stopped today. The gold import point has been reached and Switzerland will not permit the exchange rate to go higher. Dr. Somary did not indicate just how the intervention to hold the Swiss franc is to be executed. Weber had stated that rise in the franc was purely a result of repatriation. In addition to small business concerns requiring working capital which they had sent abroad, the big insurance companies are now taking funds back to Switzerland from the American market. This is a consequence of the Japanese alliance, which leads Switzerland to believe that the war will now be longer than anticipated recently. Furthermore, there is the increased danger that the United States might become involved and extend its control of foreign exchange and assets. Since the Swiss have large holdings of dollars and the United States has practically no Swiss francs, the transfer of comparatively small amounts of dollars into Swiss francs has tended to affect the rate sharply. The present plan is, however, not to let the Swiss franc go higher.

In answer to my inquiry, Dr. Somary stated that the Swiss are still experiencing difficulties in passing the British blockade with ships bringing raw materials and other merchandise from the United States. Just recently the Swiss have succeeded in getting one of their chartered vessels over to the United States with a cargo of Swiss merchandise. The Swiss realize that they are in the middle of a war, but are patiently trying to negotiate around the British blockade. They feel that Great Britain has talked hemisphere blockade so thoroughly that they have lost sight of the interests of their small friends on the continent, such as Switzerland, Greece and Turkey. The Swiss realize that it is easier to exercise a complete blockade of the continent, than to limit it to certain countries. Nevertheless the Swiss will persist in pressing their rights with the British.
October 10, 1940

Dear Steve:

Here are the September figures on the airplane industry which you may wish to make public.

Yours sincerely,

Henry

Hon. Stephen Early,
Secretary to The President.
October 10, 1940

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Secretary to The President.

By Messenger
October 10, 1940

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Yours sincerely,

Henry

Hon. Stephen Early,
Secretary to The President.
To: Secretary Morgenthau
From: Mr. Haas
Subject: Employment in the Aviation Manufacturing Industry

1. In the year since the outbreak of war, employment in the aviation manufacturing industry has increased by approximately 135 percent. In September 1940, manufacturers of airplanes employed 90,400 factory workers, and manufacturers of airplane engines approximately 28,400 factory workers, a grand total of 118,800 factory workers for the entire industry. In September 1939, the aggregate employment was 50,600.

2. Proportionally, the greatest increase in employment has taken place in the airplane engine plants where the number of factory workers employed in September 1940 was about three times the number employed a year ago. The largest increase has taken place at the Allison Engineering Company where employment has multiplied eight times (to 5,282) since the outbreak of war.

3. The September increase in employment was distributed among practically all of the manufacturers in the industry. The largest increase in employment — approximately 1,450 factory workers — occurred at the Consolidated Aircraft Corporation. In recent months, Consolidated has shown a steady increase in employment, and for the period since May leads the industry in number of factory workers added (4,250 persons).

4. The attached chart shows total employment in the aviation manufacturing industry and the employment of selected companies since January 1937. The attached tables give the figures plotted on the chart.
### Employment in Aviation Manufacturing Industry
(Airplanes and Airplane Engines)

1937-1940

<table>
<thead>
<tr>
<th></th>
<th>1937</th>
<th>1938</th>
<th>1939</th>
<th>1940</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Airplanes</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan.</td>
<td>22,100</td>
<td>23,700</td>
<td>25,000</td>
<td>56,800</td>
</tr>
<tr>
<td>Feb.</td>
<td>24,100</td>
<td>24,200</td>
<td>27,400</td>
<td>58,700</td>
</tr>
<tr>
<td>Mar.</td>
<td>25,200</td>
<td>22,800</td>
<td>36,500</td>
<td>70,300</td>
</tr>
<tr>
<td>Apr.</td>
<td>23,400</td>
<td>21,700</td>
<td>41,100</td>
<td>90,400</td>
</tr>
<tr>
<td>May</td>
<td>23,800</td>
<td>24,100</td>
<td>52,800</td>
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</tr>
<tr>
<td>June</td>
<td>5,500</td>
<td>6,500</td>
<td>7,300</td>
<td>13,700</td>
</tr>
<tr>
<td>July</td>
<td>6,400</td>
<td>7,000</td>
<td>9,500</td>
<td>23,400</td>
</tr>
<tr>
<td>Aug.</td>
<td>6,600</td>
<td>7,100</td>
<td>12,600</td>
<td></td>
</tr>
<tr>
<td>Sept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Airplane Engines</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan.</td>
<td>5,500</td>
<td>6,500</td>
<td>7,300</td>
<td>13,700</td>
</tr>
<tr>
<td>Feb.</td>
<td>6,000</td>
<td>6,600</td>
<td>8,100</td>
<td>17,100</td>
</tr>
<tr>
<td>Mar.</td>
<td>6,600</td>
<td>6,900</td>
<td>8,900</td>
<td>22,600</td>
</tr>
<tr>
<td>Apr.</td>
<td>6,600</td>
<td>7,000</td>
<td>9,500</td>
<td>28,400</td>
</tr>
<tr>
<td>May</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>June</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>July</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aug.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sept.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dec.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Industry — Airplanes and Airplane Engines</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan.</td>
<td>27,600</td>
<td>30,200</td>
<td>32,300</td>
<td>70,500</td>
</tr>
<tr>
<td>Feb.</td>
<td>30,100</td>
<td>30,800</td>
<td>35,500</td>
<td>75,800</td>
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<tr>
<td>Mar.</td>
<td>31,800</td>
<td>29,700</td>
<td>45,400</td>
<td>85,700</td>
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<tr>
<td>Apr.</td>
<td>29,800</td>
<td>28,700</td>
<td>50,600</td>
<td>118,800</td>
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<tr>
<td>May</td>
<td>30,400</td>
<td>31,200</td>
<td>65,400</td>
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</tr>
</tbody>
</table>

Office of the Secretary of the Treasury, Division of Research and Statistics. October 10, 1940.
# Employment of Selected Aircraft Manufacturing Corporations

## 1937-1940

<table>
<thead>
<tr>
<th>Bell Aircraft Corp.</th>
<th>1937</th>
<th>1938</th>
<th>1939</th>
<th>1940</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan.</td>
<td>615</td>
<td>222</td>
<td>654</td>
<td>859</td>
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<tr>
<td>Feb.</td>
<td>850</td>
<td>290</td>
<td>912</td>
<td>896</td>
</tr>
<tr>
<td>Mar.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apr.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>May</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>June</td>
<td>808</td>
<td>440</td>
<td>1,410</td>
<td>1,192</td>
</tr>
<tr>
<td>July</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aug.</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Sept.</td>
<td>718</td>
<td>235</td>
<td>703</td>
<td>2,413</td>
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<tr>
<td>Dec.</td>
<td>213</td>
<td>606</td>
<td>799</td>
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<table>
<thead>
<tr>
<th>Boeing Aircraft Co.</th>
<th>1937</th>
<th>1938</th>
<th>1939</th>
<th>1940</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan.</td>
<td>1,834</td>
<td>1,493</td>
<td>2,666</td>
<td>5,567</td>
</tr>
<tr>
<td>Feb.</td>
<td>1,726</td>
<td>1,742</td>
<td>3,016</td>
<td>5,119</td>
</tr>
<tr>
<td>Mar.</td>
<td></td>
<td></td>
<td></td>
<td>4,276</td>
</tr>
<tr>
<td>Apr.</td>
<td></td>
<td></td>
<td></td>
<td>5,785</td>
</tr>
<tr>
<td>May</td>
<td></td>
<td></td>
<td></td>
<td>6,513</td>
</tr>
<tr>
<td>June</td>
<td>1,249</td>
<td>1,836</td>
<td>3,374</td>
<td>7,313</td>
</tr>
<tr>
<td>July</td>
<td></td>
<td></td>
<td></td>
<td>7,109</td>
</tr>
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<td>Aug.</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sept.</td>
<td>1,109</td>
<td>1,948</td>
<td>4,468</td>
<td>8,650</td>
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<tr>
<td>Dec.</td>
<td>1,380</td>
<td>2,485</td>
<td>5,199</td>
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</table>

<table>
<thead>
<tr>
<th>Consolidated Aircraft Corp.</th>
<th>1937</th>
<th>1938</th>
<th>1939</th>
<th>1940</th>
</tr>
</thead>
<tbody>
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<td>Jan.</td>
<td>3,169</td>
<td>2,540</td>
<td>968</td>
<td>2,637</td>
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<tr>
<td>Feb.</td>
<td>3,246</td>
<td>2,518</td>
<td>819</td>
<td>3,177</td>
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<tr>
<td>Mar.</td>
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<td></td>
<td>3,807</td>
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<td>Apr.</td>
<td></td>
<td></td>
<td></td>
<td>4,349</td>
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<td>May</td>
<td></td>
<td></td>
<td></td>
<td>5,040</td>
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<tr>
<td>June</td>
<td>3,099</td>
<td>2,104</td>
<td>832</td>
<td>5,821</td>
</tr>
<tr>
<td>July</td>
<td></td>
<td></td>
<td></td>
<td>6,743</td>
</tr>
<tr>
<td>Aug.</td>
<td></td>
<td></td>
<td></td>
<td>7,836</td>
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<td>Sept.</td>
<td>2,617</td>
<td>989</td>
<td>1,408</td>
<td>9,289</td>
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<tr>
<td>Dec.</td>
<td>2,580</td>
<td>981</td>
<td>2,540</td>
<td></td>
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</tbody>
</table>
### Employment of Selected Aircraft Manufacturing Corporations
1937-1940
(continued)

<table>
<thead>
<tr>
<th></th>
<th>1937</th>
<th>1938</th>
<th>1939</th>
<th>1940</th>
</tr>
</thead>
<tbody>
<tr>
<td>Curtiss-Wright Corp. (excluding Wright Aeronautical Corp.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan.</td>
<td>1,241</td>
<td>2,211</td>
<td>3,802</td>
<td>4,380</td>
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<td>Feb.</td>
<td>1,500</td>
<td>2,347</td>
<td>2,939</td>
<td>5,016</td>
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<td>Mar.</td>
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<td></td>
<td>5,213</td>
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<tr>
<td>Apr.</td>
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<td></td>
<td></td>
<td>5,698</td>
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<tr>
<td>May</td>
<td>1,933</td>
<td>2,310</td>
<td>2,848</td>
<td>6,314</td>
</tr>
<tr>
<td>June</td>
<td></td>
<td></td>
<td></td>
<td>6,531</td>
</tr>
<tr>
<td>July</td>
<td></td>
<td></td>
<td></td>
<td>6,597</td>
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<tr>
<td>Aug.</td>
<td>2,202</td>
<td>2,736</td>
<td>1,562</td>
<td>6,824</td>
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<tr>
<td>Sept.</td>
<td>2,007</td>
<td>3,491</td>
<td>3,447</td>
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<tr>
<td>Douglas Aircraft Co., Inc.</td>
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<td></td>
</tr>
<tr>
<td>Jan.</td>
<td>5,591</td>
<td>6,328</td>
<td>4,334</td>
<td>11,952</td>
</tr>
<tr>
<td>Feb.</td>
<td>5,961</td>
<td>6,173</td>
<td>4,177</td>
<td>13,119</td>
</tr>
<tr>
<td>Mar.</td>
<td></td>
<td></td>
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## Employment of Selected Aircraft Manufacturing Corporations

### 1937-1940

(continued)

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<th>1940</th>
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<td><strong>United Aircraft Corp.</strong></td>
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<td>(excluding Pratt &amp; Whitney)</td>
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### Employment of Selected Aircraft Manufacturing Corporations 1937-1940 (continued)

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<th>1939</th>
<th>1940</th>
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Regraded Unclassified
## Employment of Selected Airplane Engine Corporations

### 1937-1940

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<tr>
<td>Dec.</td>
<td>266</td>
<td>439</td>
<td>901</td>
<td>288</td>
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### Continental Motors Corp.

(Airplane Engine Division)

| Jan. | 151 | 153 | 134 | 288 |
| Feb. | 153 | 152 | 138 | 334 |
| Mar. | 162 | 144 | 171 | 388 |
| Apr. | 186 | 368 | 378 | 308 |
| May  | 162 | 144 | 171 | 388 |
| June | 135 | 146 | 203 | 567 |
| July | 152 | 142 | 243 |     |
| Aug. | 152 | 142 | 243 |     |
| Sept.| 152 | 142 | 243 |     |

### Lycoming Division of Aviation Manufacturing Corp.

| Jan. | 849 | 729 | 519 | 581 |
| Feb. | 889 | 704 | 521 | 638 |
| Mar. | 889 | 704 | 521 | 657 |
| Apr. | 889 | 704 | 521 | 711 |
| May  | 889 | 704 | 521 | 765 |
| June | 901 | 549 | 573 | 819 |
| July | 756 | 514 | 644 | 970 |
| Aug. | 756 | 514 | 644 | 1,080|
| Sept.| 756 | 514 | 644 | 1,080|
| Dec. | 762 | 506 | 689 |     |
### Employment of Selected Airplane Engine Corporations

1937-1940

(continued)

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<tr>
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<td>2,384</td>
<td>3,394</td>
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<td>Nov.</td>
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<tr>
<td>Dec.</td>
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<table>
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<th>1938</th>
<th>1939</th>
<th>1940</th>
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<tr>
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EMPLOYMENT IN AVIATION MANUFACTURING INDUSTRY
Factory Wage Earners

Selected Aircraft Manufacturing Companies

Selected Airplane Engine Companies
Regraded Unclassified

**Nazis Reported Secretly Unloading Vast Quantities of Seized U.S. Stocks**

The British denounce official figures don't show it, but still the rumors of extensive foreign liquidation of America's best-known stocks continue circulating among Wall Street insiders. The stories won't be discounted, nor will the statistics — which, incidentally, are months late and admittedly incomplete. And in the last few days a new twist has come up to add to the general confusion about the extent of foreign selling here and its influence on stock prices.

A report traveling through the financial district today attributes the evidence of foreign liquidation to German sources.

Despite all efforts to prevent Nazi selling of American stocks seized in conquered European lands, several brokers said Germans are slipping stock certificates through the official channels and are working out some big selling deals in the New York markets.

Undercover, the sales can't be traced satisfactorily, for, according to the brokers, the stamps involved are registered in American names.

Once those stocks are over here, no one can be certain of the identities of the ultimate receivers of the proceeds from sale. The stock certificates are just like all other certificates. When sold, the cash is delivered to the seller without question. What the sellers do with the money after that is anyone's guess.

That's the trouble, of course. London is a much easier market to German selling; officials have stated repeatedly their intentions to prevent it. Wall Street abhors the idea; brokers are constantly on the lookout for signs of it.

Yet the feeling is that it is going on. And no one knows what further steps can be taken to make such liquidation impossible.

**Problem**

Just how important bond yields are to insurance companies was suggested by C. A. Craig, president of the American Life Convention, in his speech to the convention at Chicago.

"There can be no mistaking the gravity of the problem," created by steadily declining interest rates and lower returns on investments, said Craig. The yield on U.S. government bonds has fallen from 5.6 to 3.8 per cent in the last 10 years. The return on mortgages, from 8 to 4 per cent.

The intriguing part of Craig's statement is its timing, for it comes just as the big insurance companies were refusing to buy Southern California Edison's bonds at a yield of less than 2.5 per cent. But much as the investors dislike the trend, there it is. And there it will be as long as the government maintains its strict control over the money and credit markets.

It's generally conceded that the Germans confiscated large amounts of securities and other valuables after the invasions of Holland, Belgium and France.

Those are the securities being sold, it is believed. Enough are registered in American names to make quite a difference both to the Germans and the American investors.

**Munch**

Since the rumors can't be proved or disproved, they persist undimmed by Commerce Dept. statements showing merely a trickle of liquidation from British and Canadian sources. In some instances, it's probably just a bunch of the brokers' hunch borne out by the sluggish action of specific stocks, by the market's refusal to mark them at any advance of business.

The reports of the last few days have centered around one major steel stock which has been running into broad and unexplained selling every time it reaches a certain price.

**Other Sources**

Switzerland is another source of selling that brokers are worrying about. A substantial amount of "hot money" from other European countries is lodged in Switzerland today.

As for England, a recent cable from London stated that British owners of American stocks aren't selling now because they think the price level is too low. They're waiting for a price advance before freezing their profits, it's said.

**SEC Calendar**

Now that the Southern California Edison issue is out of the way, the SEC's calendar of pending bond offerings holds less than $100,000,000 corporate financings. But this figure will remain low for only a few days or just until the negotiations currently going on are completed.

Here are some of the big ones due for SEC registration soon:

- Crane Co. of Chicago has a $15,000,000 issue of 10-year sinking fund debentures in the works. Proceeds will be used for refunding the company's outstanding 3 1/2s of 1951. Morgan Stanley & Co., Inc., will manage this one.

- Boston Edison Co.'s stockholders will vote early in November on an issue of bonds to refund the utility's $5,000,000 first mortgage 3 1/2s of 1955, according to present plans.

Under the laws of Massachusetts, utility issues must be offered for competitive bidding by underwriters. In 1935, when the 3 1/2s were sold, First Boston Corp. won the bid.

**Novelty**

The distribution of Southern California Edison Co.'s $104,000,000 is in five and 10-year bond lots to small buyers in all sections of the country constitutes a variation in the financing news these days. Because the Big Five insurance companies so far have held off on buying the bonds, little savers are getting a chance to pick up the high-grade securities at the formal issue price. And at least this one utility is obtaining real distribution of its bonds.

Just why the insurance companies are holding off is something of a mystery. It may be pique, for it is known that the companies wanted to buy the entire issue privately. Or it may be the yield, for at 104 the utility's 3 1/2s yield only 2.78 per cent. But the big thing is that the offering is a success despite the absence of these tremendous bond buyers.

By S. F. Porter

Regraded Unclassified
My dear Henry:

For your information, I am sending you copies of correspondence between the Department of State and this Department with reference to the proposed sale by the Atlantic Gulf and Pacific Company, of Manila, an American corporation, of the steamer ATLANTIC GULF, to a Japanese subject.

Sincerely yours,

[Signature]

Secretary of the Interior.

Hon. Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

Encs.
October 10, 1900.

(Co 6112-38/36)

My dear Mr. Secretary:

I acknowledge receipt of your letter of October 7, with reference to the proposed sale by the Atlantic Gulf and Pacific Company of Manila, an American corporation, of the steamer ATLANTIC GULF, to a Japanese subject.

I am sending to the High Commissioner to the Philippine Islands, in code, the cable that you suggest in your letter.

Sincerely yours,

Secretary of the Interior.

Hon. Sumner Welles,
Under Secretary of State,
Washington, D. C.
DEPARTMENT OF STATE
WASHINGTON

October 7, 1940

CONFIDENTIAL

My dear Mr. Secretary:

The receipt is acknowledged of Mr. Mendenhall's letter of September 19, 1940, enclosing a copy of a radiogram dated September 16 from the United States High Commissioner to the Philippine Islands in regard to the proposed sale by the Atlantic Gulf and Pacific Company of Manila, an American corporation, of the steamer Atlantic Gulf, now under Philippine registry, to a Japanese subject.

It appears from the High Commissioner's radiogram that the vessel is not suitable for either salvage work or interisland trade and, accordingly, it seems at least probable that the vessel is desired for conversion into scrap. In this connection, I enclose a copy of the White House press release of September 26, 1940, from which it will be noted that, effective October 16, 1940,

The Honorable
Harold L. Ickes,
Secretary of the Interior.
the exportation of all grades of iron and steel scrap will be placed under the licensing system and that under
the new regulations licenses will be issued to permit ship-
ments to the countries of the Western Hemisphere and Great
Britain only. In view of this fact and, for your confi-
dential information, of the fact that this Government has
not in recent years, as a matter of policy, authorized
the transfer of vessels of United States registry to Jap-
anese interests, it is recommended that a cable, in con-
fidential code, reading somewhat as follows be sent to
the High Commissioner:

"It seems at least probable that the vessel
is desired for conversion into scrap. Under the
new regulations effective October 16, 1940, li-
censes for the exportation of all grades of iron
and steel scrap will be issued to permit shipments
to the countries of the Western Hemisphere and
Great Britain only. Furthermore, it may be stated,
for your strictly confidential information, that
the United States Maritime Commission has not in
recent years, as a matter of policy, authorized
the transfer of vessels of United States regis-
try to Japanese interests. It is suggested, there-
fore, that you inform both the company and the
Philippine Government that this Government, while
not asserting any legal control in the matter,
does not look with favor on the proposed transfer."

Sincerely yours,

For the Secretary of State:

Enclosure:
Press release of
September 26, 1940

Under Secretary

Regraded Unclassified
FOR IMMEDIATE RELEASE

THE WHITE HOUSE

FOR THE PRESS  SEPTEMBER 26, 1940

CONTROL OF IRON AND STEEL SCRAP EXPORTS

The President has approved the early establishment of additional controls of the exportation of iron and steel scrap with a view to conserving the available supply to meet the rapidly expanding requirements of the defense program in this country.

Effective October 15, 1940, all outstanding balances of licenses which have been granted pursuant to the existing regulations of July 23, 1940, for the exportation of No. 1 heavy melting steel scrap will be revoked. On October 15, 1940, the exportation of all grades of iron and steel scrap will be placed under the licensing system.

Under the new regulations which will be made effective on October 16, 1940, licenses will be issued to permit shipments to the countries of the Western Hemisphere and Great Britain only.
My dear Mr. Secretary:

I wish to thank you for your letter of October fourth, with which you send me the very interesting summary of purchases in this country by the Netherlands. I am very happy to have this information.

With best wishes,

Sincerely yours,

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.
Present: Mr. Buckley
Mr. Purvis
Mr. Fairey
Mr. Young
Mr. Towers
Mr. Knox
Mrs. Klotz

H. M. Jr.: I hope it wasn't inconvenient, but I have got another brainstorm and Mr. Knox wants to leave at three. I think I can save you some time on the dive bomber.

Purvis: Right. I wonder whether it would be a good idea for you (Fairey) to explain to the Secretary how we stand on dive bombers.

H. M. Jr.: I had nothing to do this morning, and I want to get you some dive bombers.

Purvis: I hope you will have a holiday all the time.

Fairey: We have placed, so far, orders for 650 and 600, that is, 1,260, as between Vultee and Brewster, some of the orders being placed with Northrup, but that is for the same machine. We have approval for but not placed, 60.

H. M. Jr.: With whom?

Fairey: Brewster.

H. M. Jr.: I wasn't working with either concern, because I was thinking in terms of the Navy. Neither of these are Navy ships.

Fairey: No.
Purvis: These are our ships, are they?

Fairey: I thought you would like to know our position. That is how it stands at the moment.

H.M.Jr: Curtiss can begin in April turning out 30 a month, of the one he has now got on order. It is an oldish one.

Purvis: It is a Navy?

H.M.Jr: Yes.

(Mr. Young entered the conference.)

H.M.Jr: It is an oldish one, but it is the same one that we were - it is lying down at Martinique, but he has got the dies and tools and everything and he is completing an order now to take the place of those ones for Martinique and beginning in April he can give you 30 a month.

Purvis: The Navy is replacing the ones she gave up in Martinique.

Fairey: I see.

Purvis: That is interesting.

H.M.Jr: These initials drive me crazy. I wish somebody would call them one, two, three and four. The model is called SBC4. It takes a 1,700 horsepower engine known as the 2,600, Curtiss.

Purvis: The SBC4.

H.M.Jr: Yes, it is a new one to me.

Purvis: That takes a --

H.M.Jr: It is the 2,600. It is a question of whether you have the engines, you see, but he could start in April and knock out 30 a month for you. You know, if he says it, he will do it. I was talking to Guy Vaughn direct.

Purvis: Yes, that is true with Curtiss.
H.M.Jr: Now, the interesting situation, the other place where you have no orders is Vought, you see, which is part of Pratt & Whitney.

Purvis: That is the one you were talking about, Vought Sikorsky.

H.M.Jr: Strangely enough, they also have about 60 on order. Their orders are running out about March. I haven't talked to them. They might begin in April also to turn out a good many.

Purvis: They run out in March? Is that an approved type from the Navy view?

H.M.Jr: Yes. You see, you are not getting the Navy bomber. The Navy are really the people who invented this thing.

Purvis: And I understood from Secretary Knox that he would be perfectly willing to have our people go in and they would tell them everything they knew.

H.M.Jr: That is what I want to get today, the approval so that you would be saving a week, you see, and have a look at these things, you see.

Purvis: When does Baker get back?

Fairey: Mansell gets back on Friday.

H.M.Jr: I thought you could have a look at these things and --

Purvis: I will take the liberty of asking whether Morris Wilson might come along.

Fairey: I will go down myself if it is important.

Purvis: Yes.

H.M.Jr: Vought Sikorsky, you have no orders there, you know.

Purvis: No, that is one of those in which we put in application for release.
H. M. Jr: Well, here it is, known in the Navy term as SB2UJ.

Purvis: I don't like the commentation at all. SB2U, did you say?

H. M. Jr: SB2UJ. I can't see anything wrong in that. Well, you see they are running along and their orders are completed in January and they have most likely got a setup and they are turning out 20 or 23 a month, these people are.

Klotz: We are like children, having a wonderful time.

H. M. Jr: Do you get it, what they are laughing at?

Buckley: I haven't the slightest idea.

H. M. Jr: Neither do I. It must be good.

Purvis: It is perfectly good. Twenty to 23 a month?

H. M. Jr: Their orders are supposed to be completed in January. Now, the Curtiss dive bomber which will make its first test flight in 30 days, and which they say is the last word - but that is a year off on delivery, so you see again if you and the Navy have got together on it, on the order, but in the meantime, you would be getting possibly the Vought Sikorskys which are all tooled up and ready to go on the Curtiss. They are both there. I don't know how they compare to what you have got or anything else.

Fairey: Frankly, I would like to know more about this.

Purvis: It really needs Mansell and you.

Fairey: Yes.

H. M. Jr: The important thing, which was news to me, was the thing he says here about the aluminum company, and this is interesting. He says here, "I think I can get aluminum from the Aluminum Company." They are quoting 20 weeks delivery, which he says is terrible. That was news to me.
Purvis: The last time - I was supposed to follow that up and I am afraid I haven't. The last time I saw Stettinius they thought that as there was a very big tonnage for peace purposes, there would be something that could be drawn on there, cut down a little.

H.M.Jr: Well, anyway, he is supposed to bring Towers over and if you can get a - which you will get permission to see these two planes and within a reasonable time you can say what you want. Maybe you prefer what you have got, but at least here are two companies. They are both good companies.

Fairey: Yes.

H.M.Jr: They are finishing up on a Navy order. They are not the latest thing, but there is nothing new you could get here now, but you could jump in here if you have the answer for him. You could keep them going until the new ones come over the line.

Purvis: Are the engines suitable for this liable to be the ones that would go on the new Brewster that you haven't yet placed orders for?

Fairey: There again, I don't know. I am not familiar with this question. It is very easily answered when I get back to the office.

H.M.Jr: Well, with the help of Towers and Knox giving it his blessing, you certainly over the week-end could say, "Well, of this group, we can do this." Here are two companies, I am sure, that can take your orders --

Purvis: Quite soon.

Fairey: Anything that we could get from this, I suppose, would be extra to our present program. We shouldn't have to give up anything for it, because they are holding us a bit tight to our 4,200 in the allocation.

H.M.Jr: I don't know anything. I am not on that committee.
Purvis: What you want is to get these over and above the 14,365?

Fairey: Yes, an additional classification.

H.M.Jr: Well, try for it. Didn’t your committee meet yesterday?

Fairey: Yes.

H.M.Jr: Well, what did you get in exchange for the Swedish order?

Fairey: The question of the trainers came up and I accepted it, but the United States Navy said they had great need of trainers and the matter was referred back to a subcommittee. I am on the subcommittee, so when it comes back, I shall fight for my trainers.

H.M.Jr: Why not let’s say something to Knox today about it? Was Towers on it?

Fairey: Yes, Admiral Towers was Chairman of the meeting and it was he who referred it back, but I suppose this could have consideration. This is to be referred back to the subcommittee.

Young: Admiral Towers would like to have Mr. Buckley on our committee.

H.M.Jr: What is your recommendation, Mr. Young?

Young: I told him I thought it could be arranged.

H.M.Jr: Do we have to have a committee meeting on it?

Young: I think it is all right.

H.M.Jr: How would you vote, Mrs. Klotz?

Klotz: I take it Mr. Buckley is going.

Purvis: Would it be an impertinence to suggest that you will need about five Mr. Youngs and five Mr. Buckleys.
Buckley: You just want a packed committee. (facetiously)

H.M.Jr: Well, we are thinking of getting another Buckley, a prototype.

Purvis: A mock-up.

H.M.Jr: There is the mock-up (indicating Young).

Buckley: I thought one was enough.

H.M.Jr: Seriously, if they are going to - if this thing keeps going - seriously, Philip.

Young: I know it.

Purvis: I was very, very disappointed, and worried, when just before lunch Ballantyne rushed into my office and asked me one or two questions, which I couldn't answer, and then he said, "You know, I am only cutting out the things that are most important to talk to Mr. Young about because it isn't fair to press him beyond a certain point."

H.M.Jr: Well --

Purvis: There was a consideration which I didn't realize.

Fairey: If the plane comes back from Seattle, does it go to Buffalo?

Purvis: I had given him too much to worry about.

Fairey: I thought I would get Mansell to get off at Buffalo.

H.M.Jr: Is it agreeable to you to go up to Martin with me tomorrow?

Purvis: I would love to go up.

H.M.Jr: I will keep right on going and I will drop you in New York.

Fairey: Very good.
I will drop you at LaGuardia.

That is better still, because I have got to be up there on Saturday.

I have to get up to my place before sundown.

I would like to very much.

Just while we are here, I called up - Glenn Martin was out on his boat, but his second man was there. He is very good. I asked him what could he do to speed up production for the Army and the English and he said nothing. An hour later I talked to him and he had been in touch with every supplier in the United States and he is going to have a report tomorrow.

(Secretary Knox and Admiral Towers entered the conference.)

I will be very much to the point, because you want to get a plane.

No, I am not going this afternoon. I can't get away until tomorrow. That is a result of going to the White House too often. If I had stayed away from there, I would have gotten away.

I know just how you feel.

What I did, took the liberty of doing, is this: I had nothing to do this morning, so I --

Come on over, I will give you something to do.

You might say I am over there now when you hear what I say. In a message which I received, which you are familiar with, they said they wanted two things. One was a long-distance bomber and the other was a dive bomber.

And also some machine gun tools.

Yes. So I looked around, knowing they had orders
with Brewster and Vultee, knowing the Navy invented this thing, and it gets down to Vought Sikorsky and to the Curtiss.

Knox: How about Brewster?

H.M.Jr: They have orders.

Purvis: We have some placed, and some not placed.

H.M.Jr: Here is the point. I talked to Guy Vaughan, whom I have worked with. He will complete an order for you in March and he could—beginning in April—I learned this—the SBC4, which is the one, I believe, the same one that is down at Martinique—is that right?

Towers: That is right.

H.M.Jr: And these are being made to take the place of them, aren't they?

Towers: That is right.

H.M.Jr: He could start out for the English in April and grind out 30 a month. He also told me this, which I haven't had a chance to tell these people, that if they wanted to, he could take the so-called Curtiss P-40, which is this pursuit plane of which he is making six a day now, and told me on December 1 he would be making 8 a day.

Knox: Who is this, Curtiss?

H.M.Jr: Curtiss. He is the only man that is really doing anything. He told me that the Navy has never released a so-called displacement gear.

Knox: Never heard of it, but this man (Towers) knows, that is why I am bringing him up.

Towers: We have released it.

H.M.Jr: Well, I am just quoting Guy Vaughan, and if the Navy in its wisdom decided to release the so-called displacement gear over and above what they are making now, they can make another 45
Curtiss P-40's a month with this displacement gear which would hold certain bombs.

Knox: Hold bombs?
H.M.Jr: Which would hold bombs.
Knox: I don't understand it.
H.M.Jr: Well, Towers could help explain it. Does that make sense to you, Towers?
Towers: Yes, sir, it does, except I don't see how they can carry a bomb of any real size on that plane and dive it and carry it out without very extensive modifications in the plane. I don't think it would stand it. They could do it with a hundred pound bomb, but a hundred pound bomb is not much use.

H.M.Jr: I’m just quoting him. This other thing you know better than I. This other thing it takes one 500 pound bomb, this other thing which I called the Martinique bomber.
Knox: Why do you call it that?
H.M.Jr: It is down there now.
Towers: The SBC4 will carry it, but the P-40 won't.
H.M.Jr: And when he is through with your order, he can grind out 30 a month.
Knox: If they are no good, what do they want them for?
Towers: The SBC4 is a good dive bomber except that it is too slow for that European mess. We are replacing them as fast as possible. These planes we are getting now are going to reserve bases.
H.M.Jr: No good for them?
Towers: It is too slow, in my opinion.
H.M.Jr: How about the Vought Sikorsky, of which you have
got 60 odd?

Towers: That is a faster plane. I haven't got the exact performance.

H.M. Jr: The SB2U3 bombers, you have got 68 on order.

Towers: Yes, those are for our Marines.

Knox: What is this meeting for, to gyp the Navy again?

Purvis: We are hoping so.

Knox: I have been so damned good natured, but you take me for a ride every time I come over here.

H.M. Jr: No, I thought maybe when we get through you would say, "Well, Henry, we have got 68 on hand and I will give you half of them," but I wasn't going to suggest it.

Knox: My own planes.

H.M. Jr: These fellows have never even been able to look at them. You have got to give them permission to go up over the week-end and see it.

Knox: Suppose I condition it to say they can't take any of the ships I have got but buy some themselves.

H.M. Jr: That is all right, but they can't even look at them until you say yes.

Towers: We have never refused it in any single case.

Purvis: They haven't known what to ask for.

H.M. Jr: Can they look at these?

Knox: Sure, as far as I'm concerned. How about it, Towers?

Towers: Yes, sir.

Knox: Go ahead and look. I know what the next thing will be, Henry.
I would like --

M.Jr: Listen --

I am getting out of --

I am having trouble watching when you pitch. You are going right along.

I would like to point out that these SB2UJ's are planes long overdue to equip our Marine Expeditionary Force and to my mind that is the last force that should be weakened, right now:

You people are the most suspicious --

They are flying planes made before the flood.

You are too suspicious. All I ask is that these people be permitted to look at them.

We know how you work, though.

Are the oldest finished -- I gather that in January they might be open for further orders.

They are behind schedule, they are way behind schedule. I was up there last week and they are just about to begin to deliver and they should have been delivering in the spring.

Really?

Yes. Vought Sikorsky has had a lot of trouble getting started, bad organization. They are started now and well on their way.

But they won't be finished with your orders, then, by the end of December?

I am sure they will not. I can find out.

Well, Admiral, what is there that these men can place orders for for a dive bomber without taking anything away from anybody? Where can they go and get additional dive bombers?
Knox: There are 35 in Manila.
H.M.Jr: Without engines.
Knox: No engines?
H.M.Jr: No engines.
Knox: Where will Siam go to get any engines?
H.M.Jr: That is why we haven't asked for them.
Knox: I thought there was something funny about that. There is always a catch in it.
Towers: I doubt seriously --
H.M.Jr: The Filipinos can have them. That is what is known as our "one dive bomber."
Towers: I doubt seriously if the performance, the speed of any of the dive bombers now in production would be sufficient for the English purposes, because the dive bomber is only useful in daylight and the only targets you have got is where you are going to be exposed to fighter attacks and these dive bombers are just duck soup for fighters, because they can run them down and shoot them down. That is what the Germans found out in using those slower dive bombers over England. They have had to stop it because in one case they lost every plane that took part in the attack.
Furvis: Is that really so?
Towers: Everyone of them was caught and shot down.
Fairey: We had one fellow get five in one attack, not in one day.
Towers: Now, these new dive bombers won't begin to be produced until next summer. They have got a pretty good performance. Those are the Brewster SB2-A and the Curtiss SB2-C.
Furvis: Could our people see those?
Towers: Yes, sir. You have your own version of the Brewster dive bomber being built.

Purvis: It is different.

Towers: Slightly different. We are working now - I told my people that we certainly can only have one model built. We had to standardize that right away.

Fairey: Couldn't I have that notation again?

Towers: Brewster SB2-A, of which you are having a sample built right now and the Curtiss SB2-C.

Knox: Are those both dive bombers?

Towers: Yes.

Fairey: And they are the smaller ones?

Towers: Yes.

Fairey: And what are --

Towers: I have forgotten the performance, but it is above 300.

H.M.Jr: Do you have one on order with Curtiss?

Towers: Yes, sir.

Fairey: And with Brewster?

Towers: With Brewster. We are placing production contracts in both plants.

H.M.Jr: Then they had better leave this old Curtiss bomber alone and they can't get any production --

Towers: They can get the old Curtiss bomber. In fact, we could perhaps walk back a little bit on our deliveries, but I am positive it wouldn't serve their purpose.

H.M.Jr: That is all right, then.
Fairey: I am much impressed with what Admiral Towers says about this because he has got all the figures right.

H.M.Jr: I am, too.

Knox: Of course, you fellows are going to be, I hope to God, beginning an offensive warfare sometime and then dive bombers, even of this type, will be useful in Germany.

Fairey: Just as soon as they get back in the middle of the ring.

Towers: By that time these others will be coming through.

Purvis: The Vought Sikorsky is a little faster than the Curtiss?

Towers: I am sure.

H.M.Jr: Could they see this dive bomber that Guy Vaughn says will be ready in 30 days, known as XS?

Towers: XSB2-C is the full title.

Knox: How do you remember those?

Towers: They all have a meaning. For instance, X is experimental and so on.

H.M.Jr: Could they take a look at that?

Towers: Yes.

H.M.Jr: That hasn’t been flown, has it?

Towers: No. It is not much of a plane to look at, except the mock-up.

H.M.Jr: Isn’t that the thing that will be ready in a year or six months?

Towers: That and the Brewster are coming right along parallel to each other. The orders were placed on almost the same day.
Purvis: These are the two, you say, the SB2-A and the SB2-C - the X is merely an affix?

Towers: Yes.

H.M.Jr: Has the Brewster been flown?

Towers: No, sir, the Brewster isn't built yet.

H.M.Jr: And if they ordered them, they would order the Navy bomber?

Towers: Or we will order the British model. I am not sure but what the British model might be a little better than ours. It is a question of the position of the turret.

H.M.Jr: Have the British got anything on the Curtiss?

Towers: That is the Brewster.

H.M.Jr: Then out of this meeting they ought to take a look at the advanced Brewster and advanced Curtiss models?

Towers: Yes, sir.

H.M.Jr: That is worth twenty minutes.

Knox: Even of your time.

H.M.Jr: I have nothing to do.

Towers: They can see our technical people and they will be glad to give them all the information.

H.M.Jr: All right. I hear you have got under consideration whether you are going to give them 70 or 100 of these Harvard trainers in exchange for the Curtiss planes.

Knox: Now he is back in the box again.

Towers: I caught the Army giving away our Harvard trainers.

H.M.Jr: Wonderful. That was right-handed.
Furvis: I wondered why they were coming through so well.

H.M.Jr: That is marvelous. I see. That explains their generosity.

Towers: I have been trying and trying to get them to include in their order more of those Harvard trainers for us. We have need immediately for about 150 and so far they said 25 was about all they could spare, and now they suddenly - yes, as Fairey knows, he was there, they offered to exchange --

Fairey: Seventy --

Towers: Something else for --

Furvis: Republics?

Towers: Yes, Republics, 70 of these planes that we are in dire need of and have been pressing them for.

H.M.Jr: I see. Well, I have accomplished what I wanted to. You don't want to let Stimson down on this.

Knox: You are good, Henry.

H.M.Jr: All right. Now, what do you want out of the English today?

Towers: I would like to point out that - Mr. Buckley isn't here, is he?

Young: Yes, he is here.

Buckley: I have been quiet.

Towers: You agree now, I understand from my Lieutenant Anderson, that the figures that were used when the division between the British and the Americans on Consolidated was made by Secretary Knox and Secretary Morgenthau, were in error. Remember I discussed it with you.

Buckley: Yes, but the figures we gave yesterday were the figures that had been used when Secretary Knox and Secretary Morgenthau talked about them.
made the first allocation, but nobody claims they were right.

Towers: The point is that we can't quite live up to that allocation because there aren't that many planes to be juggled.

Buckley: I agree, as it stands today, all you have got is what Consolidated says.

Towers: We can certainly carry out the spirit of the thing.

Purvis: It is a minor adjustment, Admiral Towers?

Towers: Yes, it is a minor adjustment.

H.M.Jr: What do you call a minor adjustment?

Towers: Well, in one case they deduct everything over a certain amount and give it to the British, but there isn't an overage there, there is a shortage. They wouldn't get their total number of planes quite so quickly because there aren't so many planes being produced within the present fiscal year.

Purvis: Does the one and one still apply?

Towers: Yes. Secretary Knox hasn't even seen this. It was thrust into my hands just as I came out of the door.

Buckley: I have discovered five different estimates of the PBY-5 deliveries.

H.M.Jr: Could I suggest, Admiral, that Buckley go over to your office with you now and sit down so they will be ready for tomorrow's meeting? Why can't he just run along with you now?

Towers: It is a very minor adjustment.

H.M.Jr: He will go along with you.

Purvis: I am very anxious about this, because London
has been advised.

H.M.Jr: He will go along with you.
Robert Patterson: Hello, Henry.

H.M. Jr.: Your ears ought to be burning. Frank Knox is just sitting here and says there isn't a better lawyer in Washington than you, and you call up on the phone.

P: (Laughs). Well, I just wanted to know if you knew that Knudsen had sent Dr. Mead and a man out to the Consolidated plant?

H.M. Jr.: Somebody told me that this morning.

P: Dr. Mead came over and I talked it over with him. Knudsen is sending him out with a man named Brand, who is working in our Ordnance Department. He's an automobile production man.

H.M. Jr.: I see.

P: And they're going out together.

H.M. Jr.: Well, do you think that's good?

P: Yes.

H.M. Jr.: Well, that's a start.

P: I think that is good. They're going out there to look at it.

H.M. Jr.: Knudsen and Purvis and I are going to take a look at Glenn Martin tomorrow afternoon. We're going to go over there.

P: Good. I just wanted you to have the information about what had developed on the other thing.

H.M. Jr.: Well, I tell you who told me - your opposite number - Forrestal told me this morning, but I appreciate your calling me.

P: Thank you. Good-bye.
October 10, 1940
2:57 p.m.

H.M. Jr: Cochran is sitting here talking to me on this Rumanian thing and he says that this so-called test cable fortunately has not come through yet from Rumania.

Dan Bell: Now that's on the Federal.

H.M. Jr: Yeah, so in view of the conversation he's had with Ray Atherton, I'm now going to tell you to go ahead and freeze all Rumanian assets in this country as of 3 o'clock.

B: Fine. Well, now, have you got the papers?

H.M. Jr: No, the letters are on the way over ..... 

B: To the President?

H.M. Jr: No - what's his name - Foley has those.

B: I see and do you want to send those to the White House or wait until you get Hull's letter before they go over.

H.M. Jr: Well, with the President going away - let me see when he leaves - no, I think Hull's letter ought to go with it. The President doesn't go until 11 p.m. tonight.

B: I see.

H.M. Jr: I mean, Hull promised it to me faithfully at 12 and the letter hadn't even been written after 1 o'clock.

B: Well, you say it's coming over now.

H.M. Jr: What's that?

B: You say it's coming over now. Hull's going to see the President at 3:15.

H.M. Jr: Excuse me.

B: I understood Hull was going to the White House at 3:15.
H.M. Jr: Well, we don't know - I don't know - I can't tell. He's going to sign it anyway and I'd send the stuff over to the President - I wouldn't wait for Hull's letter.

B: All right. We'll do that right away then.

H.M. Jr: I'd send the thing over to - can I leave it with you?

B: Yeah. I'll turn it over as is the usual thing to Thompson because he's always handled it.

H.M. Jr: That's right. Let's get it over and ..... 

B: We can get it signed anyhow.

H.M. Jr: But Ray Atherton has told Cochrane - he came out of Hull's office - O.K. I can't - well, it's no use ..... 

B: Yeah, I think so. All right - go right to it.

H.M. Jr: Thank you.
October 10, 1940
3:17 p.m.

H.M.Jr: Hello.
Operator: Mr. Purvis at his office in the Willard Hotel.
Arthur Purvis: Hello, Henry.
H.M.Jr: I meant to tell you before you left - the thing that was motivating me, and I thought you might want to get that back to your people across the water, was ....
P: What was that again? I didn't quite get it.
H.M.Jr: The thing that is motivating me - what I've been doing today and tomorrow - is in response to that hush, hush cable.
P: Yes, exactly.
H.M.Jr: And I just thought you had most likely got it, but I wanted ....
P: Yes. Oh, I did.
H.M.Jr: .... 'I wanted to point out that the two things that they ask for I was trying to do today and tomorrow, because I think that Glenn Martin is the best chance for the bomber. You see?
P: Yes, I realize that. I thought that.
H.M.Jr: Well, that's that and if you and Fairey could be at my entrance at twenty minutes of two tomorrow with your luggage, we'll go on up and I'll drop you at La Guardia.
P: Excellent. Thank you very much. I'm looking forward to it.
H.M.Jr: Good-bye.
P: Thank you and good-bye.
October 10, 1940
4:04 p.m.

Arthur Purvis: Hello.

H.M. Jr: Henry, I wanted to ask your advice. I'm sorry to trouble you, but I think it has a certain importance. Sir Walter Layton is preparing the new memorandum which has in it a great deal of data weapon by weapon in regard to the U.K. production, et cetera.

H.M. Jr: Yeah.

P: He has asked General Strong who asked for this data to enable him to make up his mind what he can do or what he thinks the Army could support. He showed it to General Strong as to whether it was in the form that he would like. General Strong in looking at it said now there's a good deal of information here which if it got around would be pretty risky for you. I'm not quite sure about it being put in that form and I'd rather that you showed it to me as you have done but didn't include it in the final draft, because you're putting a great responsibility - copy of that will go in to the Defense Advisory and so on in all probability when Secretary Morgenthau has passed it and therefore, Sir Walter is in this position, that he is in the position of editing something that he has shown to General Strong. He would like to show it to you. He wonders whether he should sort of run over with the draft and show it to you and then whether, if your reaction is the same as General Strong's, he should edit it accordingly or how he should do it, or whether he should edit it in accordance with Strong's request and then show you a draft and the old copy. He'll do either.

H.M. Jr: Well, when is he ready?

P: He's ready this afternoon or tomorrow morning.

H.M. Jr: Now, tomorrow morning is a bad day. I can do it if he came this moment.
P: Well, now, let me try and arrange that, any It? Will you assume he's coming unless I tell you to the contrary?

H.M.Jr: Yes, would you send him over - would you bring him or how about it?

P: Which would you prefer?

H.M.Jr: Well, if you're not too busy I'd rather have you come yourself.

P: I will. That's all right.

H.M.Jr: You know, just to keep ..... 

P: Yes, I agree.

H.M.Jr: ..... discipline.

P: I quite agree. All right, I shall be there.

H.M.Jr: Thank you.

P: Fine. Thank you very much.
October 10, 1940
4:10 p.m.

H.M.Jr:  Hello.

R.K. Evans:  Hello, Mr. Secretary.

H.M.Jr:  How are you?

E:  Evans.

H.M.Jr:  Just because you are doing well I didn't want you to think I had forgotten you.

E:  (Laughs). Well, thank you just the same.

H.M.Jr:  I had a nice talk with Mr. Sloan and told him that - how pleased I was at what was happening.

E:  Well, we're all very pleased, Mr. Secretary, and I think - well we were two engines ahead of what Curtiss had asked for this morning.

H.M.Jr:  Good heavens! That's wonderful!

E:  And had also almost cleaned up - well we've almost cleaned up our spares on the U.S. contract.

H.M.Jr:  Is that right?

E:  Uh-huh.

H.M.Jr:  Tell me something, how is the next engine coming along?

E:  I know you're thinking about E for Bell.

H.M.Jr:  Well, I'm thinking of two things - the one that - is it the F engine which takes the power off both ends?

E:  Both the F and the E take their accessory drives off the rear end - the improved engines.

H.M.Jr:  Well, now how is F coming along?

E:  We think we're ready for model test right now.
H.M.Jr: Model test. Does that mean that you run it in your own plant first?

E: Well, we run the final in our own plant under Army observation.

H.M.Jr: Yes. Now what is a model test?

E: A model test is a 150-hr. run that gives the final blessing to the design details.

H.M.Jr: And you think they are ready for that?

E: Yes. We've been working along for several months on crankcase difficulty and I think we're out of it.

H.M.Jr: Well do you think that - I mean, is it a matter of starting maybe within a couple of days?

E: I'd say within a week. We're still running some, what we call, development tests that are preliminary tests before we go on the final model test.

H.M.Jr: Now, what about the engine for Bell?

E: Now, on the engine for Bell, it's E-4, it's in the same category with the F - the only difference in the engines is the final drive, the reduction gear, and we're not so much concerned about model tests as a matter of fact on either one of those engines as we are about production quantities of gear boxes.

H.M.Jr: Huh-uh. Aren't those made by General Motors?

E: Yes, but not all of the tooling is in yet.

H.M.Jr: Oh, good heavens!

E: We'll run 100 F's available for assembly in December and then we'll go on to E's. But apparently Bell is doing a little better than he had expected to and he's going to be short of engines - he'll get 35 engines at the end of December.

H.M.Jr: Not before that, huh?
E: Not before that and they are all required for
U.S. Then starting in January I think they
get 35 in the month of January and build up
quite rapidly after that, but we're going to
actually be short on Bell at least until the
end of February and possibly until the middle
of March.

H.M.Jr: Well, when will the English begin to get some
engines for their Bell.

E: The English will begin to get some in January.

H.M.Jr: Oh, in January.

E: The Army hasn't very many E's scheduled and
the British will begin to get theirs in
January.

H.M.Jr: How many will they get in January?

E: Just a second - (pause) - the Bell will show
about even production of U.S. and British
but if U.S. insists why the British won't get
any.

H.M.Jr: Pardon me, I didn't get that.

E: I say, Bell shows about even production of
British and U.S. in January, but if the U.S.
insists on maintaining their schedule, I'm
afraid the British won't get any.

H.M.Jr: They won't get any when?

E: In January.

H.M.Jr: I see. Well, we'll see what happens.

E: Well, now perhaps you already know, Mr.
Secretary, Bell is very much in need of a
sample engine - of one engine - in order to
test the British plane.

H.M.Jr: No, I don't know that.

E: Well, the British have made the request for
the loan of an engine. Harry Collins
called me day before yesterday about it
and we have not been able to do anything about
it from this end.
H.M.Jr: I get you.
E: Now maybe you can do something from the other end.

H.M.Jr: I know I can.
E: And there is an engine to be available at the end of this week or the first of next which we’d like to give to the British instead of the Air Corps.

H.M.Jr: One engine.
E: One engine. That’s in order to complete and test No. 1 British plane.

H.M.Jr: Now, what’s the description of that engine?
E: Model E-4.

H.M.Jr: Model E-4, and there will be one ready at the end of this week or next week.
E: Yes. Mr. Secretary, that’s a mistake – it’s E-5 but E-5 is a temporary designation, later on it’ll be E-4.

H.M.Jr: Well, when we ask for something, we ask for E-5.
E: Yes.

H.M.Jr: I see. All right we’ll get busy on that. Now let me ask you this – how about the engines for the Lockheed Interceptor?
E: Lockheed had 8 British engines out there already and the latest information that we have is that they will not use them until March.

H.M.Jr: Well, I’ll be darned!
E: (Laughs). Well, that’s certainly bad. On the other hand there is no use in shipping those engines back because we are already up to Curtiss unless the British decide that they don’t want them to lay that long, there’s no necessity for shipping them back.
H.M. Jr.: Well, aren't those engines left and right?

E: No, the engines for the British P-35 are the D-15 engines which are the same as are used in the Curtiss P-40 and are both right-hand rotation engines.

H.M. Jr.: I didn't know that.

E: Yes.

H.M. Jr.: But there are 5 engines lying out there in the Lockheed plant which they will not use until March.

E: That's our information. The 5 engines were shipped from here about 20 days ago.

H.M. Jr.: Well, I'll be darned. Well it seems a shame - well, but you say Curtiss doesn't need them?

E: No, Curtiss doesn't need them and unless the British need them as spares there is no object in bringing them back.

H.M. Jr.: Well, I can get word to them that there are 5 engines lying out there.

E: They were shipped in accordance with the British representative's instructions but he apparently didn't know of the delay in the Lockheed program.

H.M. Jr.: Well, the longer I'm in this the less I'm surprised at anything. Now I talked this morning to Guy Vaughn - this may or may not be news to you - he is now turning out 6 P-40's a day and on the first of December he goes to 8. I don't know whether that's news to you or not.

E: No, that is the schedule that the Buffalo plant gave us at the beginning of September.

H.M. Jr.: And you're taking care of them, evidently, on engines.

E: We're completely taking care of them. They had finished 54 ships on the 27th of September and we're actually ahead of them right now.
H.M.Jr: Now, as I understand the game, they're to keep grinding out these P-40's until you have got your engine tested and coming along the next month. Is that right?

E: Well, we actually will - they keep grinding out P-40's according to my schedule here until May, at which time they start delivery of what is known as the P-40-D to the Air Corps.

H.M.Jr: I see.

E: And then they start up slowly using the F engine in the P-40-D and reach - well, they reach 95 at the end of December, 95 a month. So far there is no portion of that program allocated to the British, but I understand that the Air Corps is considering doing so and they expect to have a standardized ship that can go to either service.

H.M.Jr: I see. But the way it is now, I mean, you have all the orders that you can possibly take care of haven't you?

E: We have orders, Mr. Secretary, until March, 1942. Now that is assuming that the British take up their option of 300 a month starting in October, 1941 and continue on. From March, 1942 to the end of '42 we have 4,500 engines open for sale.

H.M.Jr: I get you. Now, the other thing which Mr. Sloan told me was that he's hopeful that you may be getting an engine that might turn out 1400 or 1500 horse.

E: Well, we have another engine coming - well, an improvement of the current engine of course, coming along with 2-stage supercharging which will permit a higher rating - give higher rating at higher altitudes.

H.M.Jr: Now when do you think that that will be ......

E: We were discussing that one at lunch today and we all agreed that we could undertake delivery of that engine in January '42.

H.M.Jr: Oh, my, my, my! That's a long way off.
E: Well, there's still a lot of test work to be done on it.

H.M. Jr: I see. That would be 1400 or 1500 horse?

E: Well, they haven't talked that high yet at the Air Corps. I think 1325 is the test rating that we are to run at.

H.M. Jr: Well, ought they to bother with that - is this 2,000 horse engine you've got, is that ......

E: That's the double engine, Mr. Secretary, what we call the 3420 - twice the displacement of the present engine and is really just a double of the present engine. Now, we have experimental contracts on that and we're working on it as much as we can. A little later we'll be able to work on it a lot more.

H.M. Jr: Right. Well, I've enjoyed this conversation and if you don't mind I'll call you again, and I think you're doing a perfectly swell job.

E: Well, I'm delighted to have you call, Mr. Secretary, and we're doing the best we can and we're going to keep on doing it.

H.M. Jr: Right.

E: Right-o.

H.M. Jr: Good-bye.

E: Thank you.
COPY OF TELEGRAM FROM UNDER SECRETARY OF NAVY TO MAJOR FLEET:

Major R. H. Fleet,
President, Consolidated Aircraft Corporation
San Diego, California.

I am very pleased to learn that you and Admiral Towers have come to an agreement on the contract of PS Two Y Threes and also delighted that Schnacke is coming with you. Best regards

JAMES FORRESTAL

OC TO SECRETARY MORGENSTAHL
MR. WILLIAM S. KNUDSEN
October 10, 1940

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Gaston

The new Elizabeth City, North Carolina, airport (near Norfolk) is to be dedicated at eleven a.m. Thursday, October 17th. I am scheduled to make the dedicatory speech and Lindsey Warren is also to make an address. A development today somewhat changes the aspect of the affair.

M. O. Dunning, Counsel for the Canadian Colonial Air Lines, which runs a line from Montreal to New York and is anxious to extend it down our coast to Florida and to the Bahamas, has arranged to send a Canadian Colonial Air Lines plane to the dedication, although United States air lines have neglected invitations to participate. Dunning has invited as his guests C. J. Power, Air Minister for National Defense, of Canada; G. D. Howe, Minister of Munitions and Supply; Commander H. Edwards, Minister of Aviation and Transport; T. A. Wilson, Director of Civil Aviation and the Honorable Ernie Savard. On learning this today Coast Guard at once consulted the State Department and Dunning went over there. At the State Department's request invitations to these Canadian officials are being delivered through State Department channels and a representative of the State Department will accompany them from Washington to Elizabeth City. In view of this, I have suggested to the Admiral and Commander Reed-Hill, who is in charge, that invitations be extended at once to the heads of Military and Naval aviation of the United States. This seems to raise the question whether we should not have higher representation and I wonder whether you would care to go.
My dear Mr. Secretary:

I refer to the Secretary's letter of October 4, 1940 informing you of the visit of a Cuban economic mission, and conversations on this subject between officers of the Department and officers of the Treasury Department. I received the Cuban group formally yesterday and at that time its chairman, the Cuban Ambassador, informed me that by the end of the week there would be submitted a comprehensive statement of the purposes of the mission and the types of financial and technical cooperation which it desired to discuss. Pending the receipt of such a statement and before entering into technical discussions with the several members of the economic mission, I believe that it would be appropriate for you to receive the group formally.

With

The Honorable

Henry Morgenthau, Jr.,
Secretary of the Treasury.
With the idea of laying out a program for discussions between the Cuban group and the interested agencies of this Government I am arranging for a meeting at my office on Monday, October 14 at eleven o'clock of the members of the Cuban economic mission and officers of this Department and of the Departments of the Treasury and Agriculture, the Export-Import Bank, and the Federal Reserve System, who will carry on the detailed discussions. I should greatly appreciate your designating one or more officials to attend this preliminary meeting.

Sincerely yours,

[Signature]

Under-Secretary
Subject: Most of Portugal's gold holdings have been transferred to the United States.

That Portugal has moved most of its gold to this country is indicated by the table below. The major part of the inflow has occurred within the past three months.

<table>
<thead>
<tr>
<th>Close of</th>
<th>&quot;Gold Reserve&quot; of Bank of Portugal,* (millions of dollars)</th>
<th>Earmarked in N.Y. for Bank of Port.</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 10, 1940</td>
<td>$ 68.9</td>
<td>$ 29.6</td>
</tr>
<tr>
<td>June 26, 1940</td>
<td>68.9</td>
<td>49.4</td>
</tr>
<tr>
<td>August 21, 1940</td>
<td>68.9</td>
<td>73.7</td>
</tr>
<tr>
<td>October 9, 1940</td>
<td>(not avail.)</td>
<td>plus $ 10.7</td>
</tr>
</tbody>
</table>

"Encaisse-or" on the Bank's statement. The above figures suggest that the Bank of Portugal carries some gold outside the "Encaisse-or", perhaps in its asset item "Disponibilités-or à l'etranger et autres reserves". The latter is used as secondary cover for the Bank's sight liabilities, and may contain as much as $20-25 million in gold. I would place Portugal's total holdings between $89 and $94 million, of which $84.4 million is here or en route to New York.

The rise in Portugal's earmarkings here has been due almost wholly to imports from that country. Net sales of gold to the Bank of Portugal by the U.S. Fund this year amounted to only $8.4 million; such sales, incidentally, did not change the Bank's "Encaisse-or" figure.

In its table "Gold Reserve of Central Banks and Governments," the Federal Reserve Bulletin uses only the "Encaisse-or" asset for Portugal.
Secretary of State,
Washington.

963, Tenth.

Additional appropriations requested by Army 140 and Navy 112 for year 1941-42 Riksbank October 7 metallic cover 637, foreign exchange 755, note circulation 1402, loans and discounts 697, defense loan opened April reaches 800 all million crowns. September cost of living index 126 industrial production August 106. Stockholm housing construction 5 percent compared last October and lowest in 20 years. September bankruptcies 109 lowest in year. Swedish Agricultural Association requesting Government to adopt measures increase prices agricultural products including milk products, beef and grains claiming farm income decreased this year by 375 million crowns owing decrease of 22 percent in basic food crops compared average 1936 to 1939.

Inform Treasury, Agriculture, Commerce.

STERLING

REP
October 20, 1960

My dear Mr. President:

In accordance with your request, I am returning herewith for your files the correspondence in connection with the proposed bill for the establishment of a Coast Guard Reserve.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The President,

The White House.
October 20, 1943

My dear Mr. President:

In accordance with your request, I am returning herewith for your files the correspondence in connection with the proposed bill for the establishment of a Coast Guard Reserve.

Yours sincerely,

(signed) H. Morganthau, Jr.

The President,
The White House.
October 10, 1940

MEMORANDUM

From: Secretary Morgenthau
To: Mr. Gaston

I communicated the contents of this to Admiral Waesche, and I wish that you personally would follow through on it.
THE WHITE HOUSE
WASHINGTON

October 9, 1940

MEMORANDUM FOR H.M. Jr.

For your information and return for my files.

F.D.R.
MEMORANDUM FOR H.M. Jr.

For your information and return for my files.

F.D.F.
THE WHITE HOUSE
WASHINGTON

October 4, 1940.

MEMORANDUM FOR
THE PRESIDENT

In conformity with the President's memorandum to me, I have obtained Admiral Stark's reaction to Coast Guard Reserve. CNO's comments attached.

Respectfully,

D. J. CALLAGHAN

H. M. Jr.

N. L.
Admiral Waesche discussed with me from its inception the details of the Coast Guard Reserve Bill.

The proposed reserve, of course, will be of value to the Coast Guard in assisting in the control of shipping.

Many of the yachts and motorboats throughout the country will be needed by the Navy in time of war. This bill will put the Coast Guard in daily touch with these boats. This contact will enable the Coast Guard to accomplish a great deal of the preliminary investigation and organization which will be required prior to the use of such boats by the Navy.

I, therefore, join with the Secretary of the Treasury in urging your approval of this Bill.

[NRS]
I herewith request your approval of a proposed Bill for the establishment of a Coast Guard Reserve. The enactment of this proposed legislation is essential for me, through the Coast Guard, to carry out the duties resulting from your Proclamation of June 27, 1940, placing upon the Secretary of the Treasury the responsibility for the control of all merchant shipping and the security of the harbors and waters of the United States including the movements and anchorage of vessels and the lading and unlading of explosives, inflamables and other dangerous cargo. The Coast Guard needs approximately 270 additional small craft immediately to carry out these duties. Even though time did permit, it is more economical to use Coast Guard Reserve craft for these duties than to build or buy these vessels and use regular Service men to man them. It will cost to operate these boats, including the personnel to man them, about $525 per month per boat.

The final draft of this proposed Bill was drawn up by the Navy Department with minor changes being made by the Coast Guard. The Bill as submitted by me to the Bureau of the Budget had the official approval of Admiral Stark in writing. It does not conflict with Naval Reserve legislation. It permits the nation to use to best advantage trained yachtsmen and small boat men.

The Chief of Naval Operations is interested in the Bill and has recommended favorable action for the reason that it will permit the Coast Guard to organize for the use of the Navy in time of war small yachts and other motorboats of the country. There are other minor advantages such as permitting the Federal government to keep close supervision over a large percentage of the several hundred thousand motorboats of the country and obtain information regarding possible subversive activities in the part of some of these craft.

This proposed Bill was submitted by me to the Bureau of the Budget on August 20, 1940 and was returned to me by the Director of the Bureau of the budget on September 11, 1940 with an unfavorable report. If you will approve this Bill, and I urgently recommend that you do so, I feel confident we can have it enacted by the Congress in the near future.

Secretary of the Treasury.
This military situation report is issued by the Military Intelligence Division, General Staff. In view of the occasional inclusion of political information and of opinion it is classified as Restricted.

I. Western Theater of War.

1. No ground operations.


During daylight of the 9th the Germans attacked over Sussex, Kent and the London area, taking advantage of favorable cloud cover. Several airdromes were attacked in this period, as well as the London docks. During the night the German raids over the London area were said by the British to have been the heaviest of the war. The Germans claim to have concentrated on the port area, while the British state the bombing was widespread. Cardiff was also bombed.

The R.A.F. raided objectives in Holland and at LeHavre with single planes during daylight of the 9th. Normal night operations were conducted over western Germany, Belgium, Holland and France.

II. Mediterranean and African Theaters of War.

No ground operations and only minor air activity reported.

M.I.D., W.D.
October 10, 1940.
12:00 H.
The six reporting banks' transactions in registered sterling were as follows:

Sold to commercial concerns £56,000
Purchased from commercial concerns £8,000

In the open market, sterling opened and closed at 4.03-1/2. Transactions of the reporting banks were as follows:

Sold to commercial concerns £2,000
Purchased from commercial concerns £13,000

The Swiss franc remained at .2317 until late in the afternoon, when a new current high of .2319 was recorded. It closed at .2318. Only a small amount of business in that currency was believed to have been transacted.

The other currencies closed as follows:

Canadian dollar 13-3/4% discount
Swedish krona .2385
Reichsmark .4005
Mexican peso .2083
Argentine peso (free) .2355
Brazilian milrea (free) .0505
Cuban peso Holiday
Lira .0505

There were no gold transactions consummated by us today.

The Federal Reserve Bank reported that it had made two three-months loans totaling $55,000 to the Central Bank of El Salvador, setting aside as collateral $70,745 in gold from the Salvadoran Bank's earmarked account. The total of such loans now outstanding amounts to $575,000, secured by $649,243 in gold.

No new gold engagements were reported.

There was a holiday in India, and no gold or silver prices were received from Bombay.
In London, spot silver was fixed at 23-3/5d, off 1/16d. The forward quotation was 23-5/16d, off 1/6d. The dollar equivalents were 42.44¢ and 42.33¢ respectively.

Handy and Harman's settlement price for foreign silver was unchanged at 34-3/4¢. The treasury's purchase price for foreign silver was also unchanged at 35¢.

We made two purchases of silver totaling 400,000 ounces under the Silver Purchase Act. The larger purchase consisted of 300,000 ounces from an American refining company's inventory. The other 100,000 ounces represented a portion of the 1,122,000 ounces recently shipped to this country by the Central Bank of China.
Honorable Henry Morgenthau,
Secretary of the Treasury,
Washington, D. C.

Dear Henry:

As you have expressed an interest in special news from Mexico, I am enclosing a memorandum on the present rather critical outlook of the mining industry in Mexico. In the mining industry, as in general, things don’t always turn out as bad as they seem, but I am giving you the picture as it is today simply for your information. I have not sent a copy to any one else.

Sincerely,

[Signature]

[Note: The handwriting is difficult to read. The text appears to read: 'the situation; also dates, 1938]
That large portion of the Mexican mining industry which produces lead as its principal metal is today facing a serious situation. Taxes, which are excessive under present conditions, and decreasing efficiency of labor are contributory factors, but the principal cause is the drying up of the market for Mexican lead. Normally the bulk of the Mexican lead output is taken by Continental Europe, which is now entirely cut off. The only offsets to the disappearance of this market have been some purchases by Japan and by the United States, which this year has been able to absorb some Mexican lead into domestic consumption after paying the duty. These purchases have been relatively small compared to the total Mexican lead output. It is estimated that there is now an accumulation of over 100,000 tons of unsold Mexican lead, equivalent roughly to half a year's production.

Even prior to the cutting off of Continental Europe, lead sales during this war had not kept pace with other metals. Lead has not been used to the same relative extent that it was in 1914-18. This is probably because less bullets have been used and because a considerable proportion of the bullets now being manufactured are made of metals other than lead.

Most Mexican mines producing lead also produce zinc and silver, and their ability to sell the two last named metals has helped them to keep going. A continuance of present conditions in the lead market will, however, force many of these mines to consider shutting down. Shutting down a mine is at best a serious matter. Idle mines frequently have to undergo steady and expensive-timbering or unpumping to keep them from becoming a total loss, and when such expenses are prohibitive shutdown means abandonment. In Mexico, in addition to the foregoing expenses, a mine which shuts down incurs heavy liabilities to workmen for extra compensation. Failure to pay such compensation or shutting down a property without the government's permission renders the property liable to confiscation. Because of unwillingness or inability to defray these costs some companies—perhaps not some of the most important ones—may prefer under present conditions to abandon or forfeit their properties. As the Government and the labor syndicates would face the same lack of market, it is believed that they are not very anxious to take over any mines at this time.

Developments which would enable the mines to keep going would be one or more of the following:

(a) Substantial abatement of the production and export taxes, for which several mining companies are now petitioning the Mexican Government. Such abatement would reduce the cost of production and make Mexican lead more competitive for whatever market there might be at lower prices. It would also ease the financial burden of the mining companies to the extent that they have to tie up money in unsaleable lead.
(b) Change in world conditions resulting in the reopening of normal markets.

(c) Increase in the United States lead consumption enabling the U.S. to absorb much larger quantities of Mexican lead.
TREASURY DEPARTMENT
INTER-OFFICE COMMUNICATION

DATE October 10, 1940.

TO Secretary Morgenthau

FROM Mr. White

There is attached a list of memoranda and reports prepared in the Division of Monetary Research during August and September, 1940.
Oil Refineries in Dutch East Indies.

The Work of the Habana Conference.

The Petroleum Situation in Japan.

Effectiveness of licensing control over aviation gasoline, aviation lubricating oil and tetraethyl lead.

Reducing the supply of oil available to aggressive countries.

Memorandum for the President on the Petroleum Situation in Japan.

Scrap Iron and Steel.

Possible Agenda for Secretary’s Conference with State Department on the Far East.

Memorandum for the President: Summary of Oil Situation in Japan, Germany and German-controlled territory.

Conference held at Secretary Morgenthau’s office, Sept. 3, with Lord Lothian.

Memorandum for the President: Recent petroleum information.

Tide Water Associated Letter of September 11, 1940.

Proposal for a possible three-way arrangement between the United States, Russia and China.

Chile’s request for financial assistance.

Memorandum for the President: Correspondence with Mrs. G. Nye Steiger.

Gold Inflows since Outbreak of War.

Suggested Agenda for the coming Inter-American Treasury Conference.

Foreign Exchange Assets of the United Kingdom, classified according to speed of liquidity.

United Kingdom Expenditures in the United States.
How much free foreign exchange will the United Kingdom need during the next six months and how it may be raised.

Memorandum for the President: Attaching table on the Lubricating Oil Situation in Europe.

Sir Walter Layton.

Soviet Gold Production.

Summary of Nicholson's Reports Received on Sept. 26, 1940.

Netherlands Indies Petroleum; Consular Telegram.

Foreign Funds Control - Foreign Holdings of United States Property Affected by Control.

Personal Remittances from the United States to Germany and Italy.

Monetary Developments, for special review issue of Annual Report of the Secretary.

Proposal for Confidential Schedule of Intra-Treasury Round Table Conferences, 1940-41.

Possibilities of Increasing Purchases of Copper from Chile.

Costa Rican Reserves Against Note Issue.

Possible Agenda for Discussions between Secretary Morgenthau and Representatives of the Argentine Government.

The British Deficit.

Topics Requiring Continued Analysis and Research for the Foreign Funds Committee.

The Chinese Currency Situation.

Lord Swinton.

Who Bears the Cost of Silver Purchases?

Effect of Gold Purchases.

Draft of release on How the Government Acquires and Pays for Gold.

How the Gold Stock of the United States is being used.
Bibliography of books and articles relating directly to the monetary role of gold.

Defense Finance.

Finding of Injury in Glass Frosting Case.

Payments to American Banking Affiliates in France and Belgium.

Revision of Capital Movement Figures for Treasury Bulletin.

French Government Accounts.

Service of French Loans.

Affiliates of American Banks subscribing capital to new Belgian bank of issue.

Morocco.

French and Belgian Banking Branches in Argentina.

Compulsory Lending Bills of Senator Lee.

Report of Conference at State Department on questionnaire and agenda for proposed Pan American meeting on police and subversive activities.

Various memoranda on Foreign Funds Control.

Report on meeting on the future of gold, at Federal Reserve Board, August 15.

Reports on French Assets.

Comment on "A Program for a Dynamic America - A statement of Republican principles".

Review of "Can the Gold Problem be Solved?" by Peter F. Drucker.

Reasons for Enactment of S. 4204.

Coffee Control.

Food and Feed Prospects in Continental Europe.

The Applications for Dollars, from the Bank of France's Account, to Make Payments on French Securities Held in Switzerland.

French Gold Holdings.
The French 4 ½% 1937 Loan.
The Financing of German Rearmament and War Expenditures.
Memoranda to the Secretary on Developments in the War.
Comments on Hitler's Speech.
Developments in the Chinese Military Situation.
Sofina.
The European Military Situation.
Preliminary memorandum on German Disbursements in the United States.
The German Offensive Against England.
Conclusions Reached by Prof. Holcombe in his study of Canada's war effort.
Current Liabilities of American Concerns Operating in the Five German-Occupied Countries of Europe.
Export-Import Bank.
Assets of Rumania Held in the United States.
U. S. Balance of International Payments During the First Year of War.
Foreign Exchange Assets and Needs of the British Empire.
Balance of International Payments on Current Account between the United States and Germany.
Alleged Discrimination by Turkey against American Shipping.
French Banks in the Argentine.
Suggested Questions on Costa Rica.
Further Information it would be helpful to have about Costa Rica if it is available.
Article on Japan by Henry H. Douglas, appearing originally in Amer-Asia for July 1940.

The Petroleum Situation in Japan.

Petroleum in Latin America.

Tetraethyl Lead Manufacture.

Unreported Petroleum Shipments to Japan.

Japanese Reserve Stocks of Petroleum.

Meeting with Tide Water Officials, August 8.

Dumping of Mexican Petroleum.

"Strategic" and "Critical" Materials Possibly obtainable from China.

Tetraethyl Lead in Japan.

Scrap Iron Deliveries to England.

Exports of Scrap Iron and Petroleum.

Exports of Scrap Iron and Steel and of Petroleum Products to Japan, U.K., and U.S.S.R.

Exports of Number 1 Scrap and of Controlled Petroleum Products.

September 4th Conference with British Oil Experts.

Spanish Tankers.

Aviation Gasoline for Japan.

Export Control of Aviation Gasoline.

Soviet Oil Refined in Rumania.

Copper.

Scrap Iron Export Regulations.

United States Trade with Japan.

Nitrates.

Naval Estimate of Japanese Oil Stocks; Opinion of British Specialist.
Proposed French Plan to obtain U. S. Petroleum.

Weidlein letter on Nitrates.

Imports of Manganese Ore from the U.S.S.R.

Dumping cases completed:
Wrapping paper from Finland.
Pig Iron from British India.
Portland cement from Germany, Japan and England.
Shoe fiber board from Germany.
Earthen tableware from Finland, Denmark, England and Japan.
Wood Screws of iron and steel from Japan.
Animal glue from Germany, Italy, Hungary.
Compounds of mercury from Italy.

Current reports: See previous reports.

Correspondence:
98 Letters replied to.
PARAPHRASE OF CODE RADIOGRAM
Received at the War Department
at 12:55 pm, October 10, 1940.

CONFIDENTIAL

Rome, filed 17:41, October 10.

Two million men are remaining with the colors in the
Italian Army. About 500,000 men of the classes of 1910, 1911,
and 1912 are being called up to take the place of a similar number
of older men, who will be relieved.

General Bastico has been relieved from the command of
the Army of the Po, and it is reported, without confirmation,
that he will replace Marshal Cressini as supreme commander in
North Africa. The latter has been reportedly in conflict with the
Duce with respect to additional troops and equipment desired by
him. He is now in Rome, and rumor has it that he will be relieved
of the African command.

PAINE

Distribution:
Military Aids to the President
Secretary of War
State Department
Secretary of Treasury
Asst., Secretary of War
Chief of Staff
War Plans Division
Office of Naval Intelligence

CONFIDENTIAL
Lancaster, filmed 24/12, October 10, 1943.

1. During daylight hours of Wednesday, October 9, eight planes of the Bomber Command attacked military and oil targets in Germany with no losses. That night 121 bombers attacked enemy communications, invasion ports, industrial and naval targets, and laid mines. The German battleship TIRPITZ was attacked with one 2,000-lb. bomb that was a near miss. The Fighter Command operated 439 planes on 115 patrols. The Coastal Command dispatched 55 planes on 25 missions during daylight hours of October 9, escorted 10 convoys, and dispatched 12 planes on two attack missions that night. Three reconnaissance planes were lost.

2. During daylight hours of October 9 the German Air Force conducted widespread reconnaissance and made three main attacks with about 20, 60, and 170 planes, respectively. In all about 370 planes operated over Britain. That night raids of varying intensities were carried out from 7:00 P.M. to 6:00 A.M. with London and the Midlands as the main objectives.

3. All plane casualties were fighters: the Germans losing four confirmed, four probable and five damaged. The British lost one plane and no pilots.

4. The German daylight bombing on October 9 was generally
Ineffective in London, although raids twice penetrated the city. New tactics of low level bombing and machine gunning were observed over South and Southeast England. In London a telephone exchange was flooded by broken water mains and gas meters were set on fire. The choir and altar of St. Paul's Cathedral were badly damaged.

Two very large bombs landed in the same block as the Railway building at 9:30 P.M. They suffered no damage but craters were formed in the street and several buildings were wrecked. Attacks were made on three airfields, one of which, a naval station, had two planes destroyed and its new unserviceable due to unexploded bombs. Four railroad lines are blocked. Two docks were slightly damaged. Four factories were attacked with some damage or delay in production to one wireless factory and one rolling shop. There was civil damage in Hastings, Falmouth, Maidstone, and Newport. The Consul in Southampton reports that during the week of September 23-29th there were a total of 35 air raids above lasting a total of 70 hours and that it was the worst week up to this time. The factory manufacturing the Supermarine Spitfire fighter, a grain warehouse, the gas works, a church, and numerous houses were wrecked. Casualties were 95 dead and 273 injured. He reports that the morale of the workers is badly shaken.

3. Three ships, totalling 13,000 tons, were sunk and two were damaged by submarines. All were in convoy. One trawler was reported lost.

4. There are positive indications that the Germans are

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CONFIDENTIAL

continuing unceasingly their preparations for an invasion.

7. One series of a motor factory in southwest and northern
in such areas are reported.

6. According to reliable reports General Michel, former
Army, is en route to Libya.

Distribution:
Military Aide to The President
Assistant Secretary of War
Assistant Secretary of State
Secretary of Treasury
Chief of Staff
Office of Naval Intelligence
Office of Naval Intelligence
Office of Naval Intelligence

CONFIDENTIAL
October 10th, 1940

Personal and Secret.

Dear Mr. Secretary,

In the temporary absence of the Ambassador I enclose herein for your personal and secret information a copy of the latest report received from London on the military situation.

Believe me,

Dear Mr. Secretary,

Very sincerely yours,

[Signature]

The Honourable

Henry Morgenthau, Jr.,

United States Treasury,

Washington, D. C.
Telegram from London dated
October 9th, 1940.

(1) Naval

During a bombing attack on Dover harbour on the morning of October 8th a naval trawler was damaged and suffered casualties.

Five more ex-American destroyers have reached a British port.

In addition to 46 ships reported yesterday 50 ocean going ships in convoy have arrived in the United Kingdom ports; cargoes included 11 of cereals and 8 of oil.

The outward bound transport "Cromsey" (20,000 tons) which was attacked and damaged by enemy aircraft in the north-western approaches on October 8th has reached harbour safely.

(2) Royal Air Force.

Among the invasion ports visited by our bombers during the night of October 7th-October 8th Calais and Boulogne received the heaviest attacks and numerous fires and explosions were caused notably in the railway station/
station at Calais. Large fires were started in the docks at Dunkirk; and at other ports, although results could not be assessed, hits were scored in target areas. At Berlin 5 power stations were attacked by 15 aircraft and in each case large fires were started. Near one of them a particularly large fire with a large explosion followed by many smaller explosions was observed; a large building in the centre of the city was set on fire and completely gutted and 5 aircraft which bombed the Templehof marshalling yards started a fire of great extent. Other objectives in Berlin were attacked without observed results. Direct hits were scored and numerous fires caused at the Fokker aircraft factory at Amsterdam and 1 aircraft which attacked naval docks at Wilhelmshaven caused fires amongst buildings. Six marshalling yards in Germany were bombed by eleven aircraft and 8 more which attacked gun emplacements opposite Dover caused a big fire. Our mine laying operations were successful.

During the night of October 8th-9th, 115 aircraft were sent out to objectives as follows: invasion ports 59; marshalling yards 4; oil targets in Germany 23; metal and aircraft factories 7; Wilhelmshaven docks 19; and mine laying 3. All these aircraft have returned but results are not yet available.
(a) German Air Force

Eighth of October 7th-8th. Later reports.

Fourteen training type aeroplanes were destroyed on the ground at Hendon aerodrome where some hangars were set on fire. At Rochester the gas works were hit and production has been suspended indefinitely although water gas can still be produced and a full supply of coal gas for the district is available from another source.

During the daylight of October 8th 8 successive attacks were made on London between 8.40 and 12.50. The first 3 raids of about 40 aircraft each and the fourth of about 20 reached London outskirts and some penetrated to the inner zone. The fifth raid of 40 aircraft was turned back south of the capital. Some interceptions were made by our fighter squadrons and some enemy aircraft destroyed. In the Liverpool area single enemy machines were operating during the morning and one was shot down by our fighters. From these raids the following damage is reported: Charing Cross railway station was hit and 8 persons killed and 20 injured. Tower Bridge was hit and road traffic will be interrupted for a few
days; in other London areas 51 persons were killed and about 50 injured. Some Government offices in Whitehall were hit and a few fatal casualties resulted. Outside London damage, in some cases extensive, was caused to property in south coast seaside resorts but there was no damage of a military nature.

During the night of October 8th - 9th, three aerodromes were attacked shortly before dark and 2 were rendered temporarily unserviceable from unexploded bombs. One enemy aircraft was shot down by anti-aircraft fire. From 7.30 p.m. until 6.00 a.m. London was the centre of enemy activity about 170 enemy aircraft taking part; 2 major fires and some minor fires occurred in industrial premises and in docks but all were either extinguished or under control by morning. One hospital was hit in east London and 20 casualties are reported so far and it is feared there are others. Outside London 2 public schools were hit, Wellington college and Beaumont college (Windsor). At the former the only casualty was the head master who was killed.

(4) Summary of air casualties.

<table>
<thead>
<tr>
<th>Enemy</th>
<th>Destroyed</th>
<th>Probable</th>
<th>Damaged</th>
</tr>
</thead>
<tbody>
<tr>
<td>By fighters:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bombers</td>
<td>3</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Fighters</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>By Coastal aircraft</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seaplanes</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>By anti-aircraft:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bombers</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fighters</td>
<td>2</td>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Totals:</td>
<td>8</td>
<td>3</td>
<td>2</td>
</tr>
</tbody>
</table>

British
British: 4 aircraft and 4 pilots.

(5) Middle East.

Libya.

On October 7th and October 8th our medium bombers attacked motor transport and an Italian landing ground where a transport aircraft was destroyed and a modern bomber believed to have been damaged.

Eritrea.

On October 8th 6 Blenheims attacked Asseb and obtained hits on buildings, barracks and piers.

Ends.